



Dave Yost • Auditor of State



VILLAGE OF HAMLER  
HENRY COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Hamler, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Hamler, Henry County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 21, 2017

**VILLAGE OF HAMLER  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$8,514		\$8,514
Municipal Income Tax	97,495		97,495
Intergovernmental	18,306	\$27,591	45,897
Charges for Services	3,487		3,487
Fines, Licenses and Permits	2,636		2,636
Earnings on Investments	2,192	1,821	4,013
Miscellaneous	79,351		79,351
<i>Total Cash Receipts</i>	<u>211,981</u>	<u>29,412</u>	<u>241,393</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	40,971	16,023	56,994
Public Health Services	75		75
Leisure Time Activities	470		470
Community Environment	450		450
Basic Utility Services	486		486
Transportation	1,843	43,753	45,596
General Government	77,504		77,504
<i>Total Cash Disbursements</i>	<u>121,799</u>	<u>59,776</u>	<u>181,575</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>90,182</u>	<u>(30,364)</u>	<u>59,818</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		31,350	31,350
Transfers Out	(31,350)		(31,350)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(31,350)</u>	<u>31,350</u>	
<i>Net Change in Fund Cash Balances</i>	58,832	986	59,818
<i>Fund Cash Balances, January 1</i>	<u>187,705</u>	<u>75,818</u>	<u>263,523</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		76,804	76,804
Unassigned	246,537		246,537
<i>Fund Cash Balances, December 31</i>	<u>\$246,537</u>	<u>\$76,804</u>	<u>\$323,341</u>

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

**VILLAGE OF HAMLER  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$320,168
Miscellaneous	9,169
<i>Total Operating Cash Receipts</i>	<i>329,337</i>
<b>Operating Cash Disbursements</b>	
Personal Services	46,107
Employee Fringe Benefits	16,792
Contractual Services	32,310
Supplies and Materials	116,460
<i>Total Operating Cash Disbursements</i>	<i>211,669</i>
<i>Operating Income</i>	<i>117,668</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	28,784
Other Debt Proceeds	76,687
Capital Outlay	(105,971)
Principal Retirement	(32,791)
Interest and Other Fiscal Charges	(75,145)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(108,436)</i>
<i>Net Change in Fund Cash Balances</i>	<i>9,232</i>
<i>Fund Cash Balances, January 1</i>	<i>234,742</i>
<i>Fund Cash Balances, December 31</i>	<i>\$243,974</i>

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



**VILLAGE OF HAMLER  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$8,316		\$8,316
Municipal Income Tax	80,279		80,279
Intergovernmental	14,708	\$26,089	40,797
Charges for Services	950		950
Fines, Licenses and Permits	2,478		2,478
Earnings on Investments	2,320	1,568	3,888
Miscellaneous	45,577		45,577
<i>Total Cash Receipts</i>	<u>154,628</u>	<u>27,657</u>	<u>182,285</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	34,440	15,370	49,810
Public Health Services	34		34
Basic Utility Services	408		408
Transportation	645	11,897	12,542
General Government	71,925		71,925
<i>Total Cash Disbursements</i>	<u>107,452</u>	<u>27,267</u>	<u>134,719</u>
<i>Excess of Receipts Over Disbursements</i>	47,176	390	47,566
<i>Fund Cash Balances, January 1</i>	<u>140,529</u>	<u>75,428</u>	<u>215,957</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		75,818	75,818
Unassigned	187,705		187,705
<i>Fund Cash Balances, December 31</i>	<u>\$187,705</u>	<u>\$75,818</u>	<u>\$263,523</u>

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

**VILLAGE OF HAMLER  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$306,892
Miscellaneous	1,844
	<u>308,736</u>
<i>Total Operating Cash Receipts</i>	<i>308,736</i>
<b>Operating Cash Disbursements</b>	
Personal Services	56,949
Employee Fringe Benefits	18,394
Contractual Services	32,967
Supplies and Materials	97,071
Other	150
	<u>205,531</u>
<i>Total Operating Cash Disbursements</i>	<i>205,531</i>
<i>Operating Income</i>	<i>103,205</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	102,440
Capital Outlay	(81,667)
Principal Retirement	(32,632)
Interest and Other Fiscal Charges	(73,909)
	<u>(85,768)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(85,768)</i>
<i>Net Change in Fund Cash Balances</i>	<i>17,437</i>
<i>Fund Cash Balances, January 1</i>	<i>217,305</i>
<i>Fund Cash Balances, December 31</i>	<i><u><u>\$234,742</u></u></i>

*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, 2015 AND 2014**

**Note 1 - Reporting Entity**

The Village of Hamler (the Village), Henry County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Village of Deshler's police department to provide security of persons and property. The Village contracts with Marion Township Fire Department to receive fire protection services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in *The Ohio Plan Risk Management, Inc.* Note 8 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Permissive Motor Vehicle License Tax*** – The street construction maintenance and repair fund accounts for and reports permissive motor vehicle license tax fees restricted for construction, maintenance, and repair of streets within the Village.

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

***Water Fund*** The water fund receives charges for services from consumers and accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

***Sewer Fund*** The sewer fund receives charges for services from consumers and accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

***Enterprise Debt Service Reserve Fund*** The enterprise debt service reserve fund receives

**VILLAGE OF HAMLER  
HENRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

charges for services from consumers and commercial users to pay costs incurred for the operation and improvement of the water and sewer system.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

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

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

**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 2015 and 2014 budgetary activity appears in Note 3.

***Deposits and Investments***

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

The Village values certificates of deposits at cost.

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF HAMLER  
HENRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

***Fund Balance***

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

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

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

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

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Compliance**

- Contrary to Ohio law, budgetary expenditures, plus carryover encumbrances, where applicable, exceeded appropriation authority in the General Fund by \$1,174, the Street Construction, Maintenance, and Repair Fund by \$32,503, the Water Operating Fund by \$3,690, and the Enterprise Debt Service Reserve Fund by \$436 for the year ended December 31, 2015. Additionally, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction, Maintenance, and Repair Fund by \$17,452, the Water Operating Fund by \$93,547, the Sewer Operating Fund by \$34,349, and the Enterprise Debt Service Reserve Fund by \$3,541 for the year ended December 31, 2014.
- Contrary to Ohio Rev. Code §5705.10 the Village posted certain revenues and expenditures to improper funds.
- Contrary to Village Ordinances the correct usage rates were not charged for certain utility customers in 2015.

**VILLAGE OF HAMLER  
HENRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**Note 4 - Budgetary Activity**

Budgetary activity for the years ending 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$150,345	\$211,981	\$61,636
Special Revenue	3,328	60,762	57,434
Enterprise	281,300	434,808	153,508
Total	\$434,973	\$707,551	\$272,578

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$153,405	\$154,579	(\$1,174)
Special Revenue	45,200	59,776	(14,576)
Enterprise	445,931	429,054	16,877
Total	\$644,536	\$643,409	\$1,127

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$125,000	\$154,628	\$29,628
Special Revenue	24,600	27,657	3,057
Enterprise	281,300	411,176	129,876
Total	\$430,900	\$593,461	\$162,561

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,321	\$107,452	\$30,869
Special Revenue	29,555	27,267	2,288
Enterprise	267,351	393,739	(126,388)
Total	\$435,227	\$528,458	(\$93,231)

**Note 5 – 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:

**VILLAGE OF HAMLER  
HENRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

	2015	2014
Demand deposits	\$398,907	\$333,438
Certificates of deposit	168,408	164,827
Total deposits	\$567,315	\$498,265

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

**Note 6 – Taxes**

***Property Taxes***

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

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

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

***Income Taxes***

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.

**Note 7 – Interfund Balances**

***Transfers***

In 2015, the Village transferred \$31,350 from the General Fund to the Street Construction, Maintenance, and Repair fund for general operating expenses.

**Note 8 - Risk Management**

***Risk Pool Membership***

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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

**VILLAGE OF HAMLER  
HENRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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.

OPRM coverage programs 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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% 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. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

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.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members’ Equity	\$5,531,637	\$5,887,681

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 9 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2015.

***Social Security***

Village Council and Board of Public Affairs members contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.



**VILLAGE OF HAMLER  
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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)**

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**Note 10 - Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 11 – Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
USDA Mortgage Revenue Bonds	\$1,686,385	4.25%
Ohio Public Works Commission Loan CE28G	26,400	0.00%
Ohio Public Works Commission Loan CE18P	35,533	0.00%
Ohio Public Works Commission Loan CE25Q	75,408	0.00%
Total	\$1,823,726	

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

The Ohio Public Works Commission (OPWC) Loan CE18P relates to a Fire Hydrant Valve Replacement Project. The OPWC approved \$38,763 in an interest free loan to the Village for this project. The loan will be repaid in semi-annual installments of \$646 over 30 years.

The Ohio Public Works Commission (OPWC) Loan CE25Q relates to the Waterline Replacement Project Phase 1. Disbursements made during the audit period totaled \$76,687. The loan is an interest free loan. The loan will be repaid in semi-annual installments of \$1,278 over 30 years.

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

**VILLAGE OF HAMLER  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

Year ending December 31:	USDA Mortgage Revenue Bonds	OPWC Loan CE28G	OPWC Loan CE18P	OPWC Loan CE25Q
	2016	\$99,570	\$1,320	\$646
2017	99,380	2,640	1,292	2,556
2018	100,148	2,640	1,292	2,556
2019	99,830	2,640	1,292	2,556
2020	101,470	2,640	1,292	2,556
2021-2025	503,104	13,200	6,460	12,780
2026-2030	502,308	1,320	6,460	12,780
2031-2035	501,272		6,460	12,780
2036-2040	502,654		6,460	12,780
2041-2045	502,099		3,879	12,786
Total	<u>\$3,011,835</u>	<u>\$26,400</u>	<u>\$35,533</u>	<u>\$75,408</u>

**Note 12 – Loss Contingencies**

The Village had an employee steal copper tubing and brass fittings and sell it as scrap. A police report was filed and it was decided to seek \$2,500 in restitution to be paid back to the Village. To date, no monies have been received by the Village.

**Note 13 – Related Party Transactions**

A Village BPA member is owner of a plumbing and heating business, Comfort Solutions, which the Village contracted with, to install a heater and run a new gas line at the Water Plant during the audit period. The Village paid \$1,802 to Comfort Solutions in 2015 and \$746 to Comfort Solutions in 2014 for these services.

**Note 14 – Subsequent Events**

The Village entered into a loan agreement on December 8, 2016, with the OWDA for the planning phase of the replacement of the water treatment plant in the amount of \$107,200. The loan has an interest rate of 2.8% and is for a period of five years. The water treatment plant replacement project has an estimated cost of \$1.8 million, and estimated initial funding of \$325,000 in OPWC small government funds, \$135,000 in Issue II funds, and \$500,000 in CDBG funds, however total funding amounts have not been finalized until the project plans have been reviewed and approved.

The Village was also awarded a \$62,688 grant, as well as a 0% loan in the same amount, with the OPWC, subsequent to fiscal year end, for the installation of electronic meter reading equipment and related software. The Village's share of this project is \$20,940.



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Hamler, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated March 21, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2015-001, 2015-004 and 2015-005 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2015-002, 2015-006 and 2015-007 described in the accompanying schedule of findings to be significant deficiencies.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of

noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-002 through 2015-004.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 21, 2017

**VILLAGE OF HAMLER  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2015-001**

**Material Weakness – Financial Reporting**

The Village's management is responsible for the fair presentation of the financial statements. Errors were noted in the financial statements, resulting in the following audit adjustments:

- On January 29, 2014 a disbursement was entered into UAN with the EFT disbursement not occurring until February 10, 2014. This was a commonly occurring issue in both 2014 and 2015 and resulted in delays of as long as 20 days between the time a transaction was posted and the time it cleared the bank.
- In 2014, we noted the following posting errors related to disbursements: \$782 was posted to the Sewer Operating Fund when the disbursement should have been split between the Sewer Operating Fund and the Water Operating Fund (\$391 to each fund); a purchase of \$1,719 that should have been posted to the Water Operating Fund was posted entirely to the Sewer Operating Fund.
- In 2014, five out of the seven utility deposits recorded by the Utility Supervisor were posted in the UAN system by the Fiscal Officer to the incorrect line items: Tap Fees (Charges for Services) or Other Miscellaneous in the Water Operating Fund, instead of the Enterprise Deposit Fund.
- In 2014, OPWC grant monies were paid directly to a vendor on behalf of the Village. The activity (both receipt and expenditure), totaling \$81,667, was not booked by the Village. Adjustments were made to the financial statements to book this activity.
- In 2014, the Village received a direct payment related to a grant, from the Ohio Public Works Commission (OPWC), in the amount of \$20,073; these monies were incorrectly booked as Miscellaneous Revenue instead of Intergovernmental Revenue. Adjustments were made to the financial statements to book this activity.
- In 2015, the OPWC paid both grant monies totaling \$28,874, and loan proceeds totaling \$76,687, directly to vendors on behalf of the Village; the activity (both receipt and expenditure), was not booked by the Village. Adjustments were made to the financial statements to book this activity.
- In 2015, significant delays were noted between the time intergovernmental revenues were deposited in the Village's bank account, and the time the monies were posted to the books, resulting in timing differences of as few as several days, to as many as 274 days.
- In 2015, the Fiscal Officer double booked intergovernmental revenues and manufactured home tax receipts, resulting in overstatements to the General Fund totaling \$1,649; to the Street Construction, Maintenance and Repair Special Revenue Fund totaling \$1,577; and to the Permissive Motor Vehicle License Tax Special Revenue Fund totaling \$128. Adjustments were made to remove these amounts from the financial statements.
- In 2015, four out of six deposits reported by the Utility Supervisor were incorrectly posted to the UAN system as Tap Fees by the Fiscal Officer. The remaining two amounts posted to the UAN system as deposits should have been divided between the Water, Sewer, and Sewer Debt funds instead of recorded as deposits. In total 6 out of 6 (100%) of the deposits for the year were incorrectly recorded in the UAN system.
- In 2015, we noted the following posting error related to disbursements: \$1,000 was posted entirely to the Sewer Operating Fund; the disbursement should have been split with \$500 to the Sewer Operating Fund and \$500 to the Water Operating Fund.
- In 2015, we noted several disbursements, related to both withholdings, and routine payments, all of which were made electronically, were either recorded in the system in the incorrect amounts, or were never posted to the system, however they cleared the bank.

Additional audit adjustments were made in smaller relative amounts. These errors were a result of inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. The accompanying financial statements have been adjusted to correct these errors. To help ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the annual report by Council and the audit committee to identify and correct errors, omissions, and misclassifications.

Delays in posting receipts, especially when the monies have been electronically deposited into the Village's bank account, and disbursements, can make the cash reconciliation process difficult, potentially resulting in errors and unreconciled balances. Incorrectly recording utility deposits can result in inaccurate financial information and can result in a negative fund balance in the deposit fund if more deposits are refunded than what has actually been received. Improperly recording expenditures can result in a fund having a lower/higher balance than it should have and can have budgetary implications.

To help ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the annual report by Council and the audit committee to identify and correct errors, omissions, and misclassifications.

To provide greater assurance that receipts are accurately posted to the proper fund the Fiscal Officer should wait to post monies from the Utility bank account to the Enterprise Funds in UAN until after the Utility Supervisor has provided her with the proper fund amounts.

#### **FINDING NUMBER 2015-002**

##### **Noncompliance Citation and Significant Deficiency over the Utility Billing System**

**Village of Hamler Ordinances 2013-01, 2013-02, 621-02, 695-02, and 710-06**, set forth the Village's utility billing rates for all utility customers. **Village Ordinances 695-02 and 710-06** provide that premises outside of the corporate limits of the Village of Hamler, which are served by the water and sewer system, shall be charged at the applicable rates, plus a surcharge equal to one hundred percent of such charge. Further, **Village Ordinances 2013-01 and 2013-02** set the rates in effect for the audit period; utility rates for both water and sewer increased in each year.

The billing system was not correctly billing some out-of-town customers. The utility billing software incorrectly calculated the rates, and the errors were not caught by the Village's Utility Superintendent.

The Village billing rates for all out-of-town utility customers for the year beginning January 1, 2015, were as follows:

**For Water:**

Minimum Charge (0 to 1,000 gallons used): \$40  
For each 1,000 gallons used, after the minimum: \$12

**For Sewer:**

Minimum Charge (0 to 1,000 gallons used): \$20  
For each 1,000 gallons used, after the minimum: \$12

**For Sewer Debt:**

Flat Fee: \$66

The Village utility rates were not correctly updated in the utility billing system for Patrick Henry Local School District's (the District) four utility accounts, resulting in the District being underbilled for all of 2015. Additionally, we examined the High School account for 2016 to determine if the issue continued into the next fiscal year. We noted the incorrect rates were used for January 2016 as well, resulting in the District

owing an additional amount to the Village. The total amount underbilled was \$2,590. This issue appears resolved for the period beginning February 2016 forward.

Failure to verify the correct billing rates are being used in calculating bills can lead to customers being either under- or over-billed and can result in the Village being owed money to which it was entitled, or owing refunds to customers for over charging a customer.

The District remitted the underpayment to the Village.

We recommend the Utility Superintendent review all customer accounts to ensure the correct rates have been applied to all customer accounts each time the billing rates change. Additionally, we recommend the Utility Superintendent periodically throughout the year, test calculate a sample of bills, especially after software updates are installed, to ensure bills are being properly prepared and the billing rates have not changed.

### **FINDING NUMBER 2015-003**

#### **Noncompliance Citation**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated in accordance with the Ohio Rev. Code.

The Village's 2015 budgetary expenditures, plus carryover encumbrances, where applicable, exceeded appropriations in the following funds by the following amounts:

- General Fund: \$1,174;
- Street Construction, Maintenance, and Repair Fund: \$32,503;
- Water Operating Fund: \$3,690; and,
- Enterprise Debt Service Fund: \$436.

The Village's 2014 budgetary expenditures exceeded appropriations in the following funds by the following amounts:

- Street Construction, Maintenance, and Repair Fund: \$17,452;
- Water Operating Fund: \$93,547;
- Sewer Operating Fund: \$34,349; and,
- Enterprise Debt Service Fund: \$3,541.

The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the Village incurring a deficit spending situation.

We recommend the Fiscal Officer not certify the availability of funds and deny payment requests exceeding appropriations. The Fiscal Officer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

### **FINDING NUMBER 2015-004**

#### **Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 5705.10(I)** provides that all money paid into any fund shall be used only for the purpose for which such fund is established. Furthermore, § 5705.10(D) requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, be paid into a special fund for such purpose.

In 2014, the following exceptions were noted:

- State and local highway monies totaling \$7,043 were incorrectly posted to the General Fund instead of to the Street Construction, Maintenance, and Repair Fund in the amount of \$6,515, and the State Highway Fund in the amount of \$528.
- Permissive Motor Vehicle License Tax monies were incorrectly posted, in part, to the Street Construction, Maintenance and Repair Fund totaling \$1,233.
- County Auto Registration monies totaling \$345 were incorrectly posted to the Permissive Motor Vehicle License Tax Fund instead of the State Highway Fund.
- Fringe benefits, totaling \$391, and chlorine used for the Village's water treatment totaling \$1,719, were incorrectly posted to the Sewer Operating Fund instead of to the Water Operating Fund.
- Utility deposits, totaling \$1,200, were incorrectly posted to the Water Operating Fund instead of to the Enterprise Deposit Fund.

In 2015, the following exceptions were noted:

- State and local highway monies totaling \$7,554 were incorrectly posted to the General Fund instead of to the Street Construction, Maintenance, and Repair Fund in the amount of \$6,988, and the State Highway Fund in the amount of \$567.
- December local government monies totaling \$1,482 were not posted to the General Fund. Instead, these monies were split between the Street Construction, Maintenance, and Repair Fund in the amount of \$1,371, and the Permissive Motor Vehicle License Tax Fund in the amount of \$111.
- County Auto Registration monies, in the amount of \$327, were incorrectly posted to the Permissive Motor Vehicle License Tax Fund instead of to the State Highway Fund.
- Permissive Motor Vehicle License Tax monies were incorrectly posted, in part, to the Street Construction, Maintenance and Repair Fund totaling \$1,320.
- Utility software upgrade costs, totaling \$500, were not posted to the Water Operating Fund.
- Utility charges for services totaling \$300 were incorrectly posted to the Enterprise Deposit Fund, instead of being split between the Water Operating Fund (\$144), the Sewer Operating Fund (\$73), and the Enterprise Debt Service Fund (\$83).
- Enterprise deposit monies totaling \$900 were incorrectly posted to the Water Operating Fund instead of the Enterprise Deposit Fund.

These mispostings were corrected on the Village's financial statements and accounting records and were the result of the Fiscal Officer posting intergovernmental and utility revenues, and utility expenditures, to the incorrect funds.

Failure to properly post receipts could lead to the overstatement of fund balances.

Financial activity should be properly reported in the accounting ledgers, so management can better assess whether or not financial goals are being met on an ongoing basis. Further, we recommend the Village Fiscal Officer and Village Council carefully review the Village Officer's Handbook, and ensure both receipts and expenditures are being posted to the proper funds.

#### **FINDING NUMBER 2015-005**

##### **Material Weakness – Cash Reconciliations**

Prior to 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 financial records and bank account records. After this procedure is completed any errors found should be immediately corrected, the financial records closed, and month end financial information generated by the Fiscal Officer.



Reconciliations throughout 2014 and 2015 contained significant unresolved reconciling items. We noted an audit adjustment posted 12/31/14 as a result of a reconciliation issue noted during the prior audit, reconciled fund balances at December 31, 2014. However, we noted other adjusting factors for each month of 2015, ranging from a low of \$1,648 to a high of \$45,688 with year ending unsubstantiated reconciling items totaling \$11,557 at the end of 2015 (books were higher than the bank). The reconciling items noted at year end were due to the double booking of property tax and intergovernmental revenue receipts, as well as payments that cleared the Village's bank account in amounts that either won't posted to the Village's books, or in different amounts from those recorded.

Audit adjustments were posted to the financial statements to reconcile the books and bank, reducing overall book balance.

We recommend the Fiscal Officer present evidence to Council which indicates all bank balances have been reconciled to the cash journal fund balances each month without significant other adjusting factors on the reconciliation. The Fiscal Officer should also transfer monies from the utility account as received.

The finance committee should then periodically verify items appearing on the monthly bank reconciliation. If an adjustment is necessary, specific documentation should be maintained that documents what makes up the adjustment, including the nature of the transaction(s) and amount(s).

#### **FINDING NUMBER 2015-006**

##### **Significant Deficiency – Lack of Supporting Documentation**

Seven of the income tax returns/withholding payments tested in 2014 and three of the income tax returns/withholding payments tested in 2015 were submitted without any supporting documentation. Two of these payments were withholding payments made by the Village for employee deductions, and two other payments weren't even accompanied by returns; the only documentation received was a cashier's check for one payment and a money order for the other.

Failure to obtain sufficient supporting documentation, including reports from entities to support withholdings submitted, W-2's, and income tax returns, could lead to undetected errors, since the Tax Administrator won't be able to recalculate the returns and verify the accuracy. Further, without supporting documentation, the Village could collect less revenue than it was entitled to.

To help ensure tax returns are accurate and complete, we recommend the Income Tax Administrator collect all supporting documentation for each return. If a return is filed, or payment is made without any additional information or adequate support, the Tax Administrator should document the attempts made to obtain reasonable support including tax returns.

#### **FINDING NUMBER 2015-007**

##### **Significant Deficiency – Tracking of Business Withholdings**

The Income Tax Administrator uses spreadsheets to track individual taxpayer activity, including amounts due, estimates paid, payments, and even late payments. There is no similar documentation maintained to track business/employer withholding payments.

Failure to track business withholding activity could lead to late payments, or completeness issues.

We recommend the Income Tax Administrator create a system of tracking business/employer withholding activity, including a complete listing of entities that should be making payments, quarterly payment amounts, penalties/interest for late filing, and if an entity is no longer required to submit withholding

payments (no longer in business, no longer doing business in the area, etc.).

**Officials' Response**

We did not receive a response from Officials to these findings.

**VILLAGE OF HAMLER  
HENRY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-001	Finding was first issued in the 2008-2009 audit Material Weakness – Cash Reconciliations – monthly bank reconciliations were not being properly performed.	Not Corrected and repeated as Finding 2015-005 in this report.	Recurrence due to inadequate policies and procedures in reviewing the monthly reconciliations throughout the audit period, as well as the Fiscal Officer not posting receipts in a timely manner, and posting disbursements in incorrect amounts, or failing to post disbursements to the books. Village Council will perform detailed reviews of financial information to ensure reconciliations are correctly performed. The Fiscal Officer will provide Council with a detailed breakdown of what makes up other adjusting factors if necessary, and will post activity in a timely and accurate manner.
2013-002	Finding was first issued in the 2005 audit. Material Weakness – Monitoring Financial Statements – due to numerous financial statement errors.	Not Corrected and repeated as Finding 2015-001 in this report.	Recurrence due to inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. Village Council will perform detailed reviews of financial information to ensure monies are properly posted.

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# Dave Yost • 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  
APRIL 11, 2017