



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF HAMDEN
VINTON COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

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 Hamden, Vinton County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 such 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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Basis for Disclaimer of Opinion on Enterprise Fund Receipts on Regulatory Basis of Accounting

Charges for Services are reported at \$369,466 and \$380,569 for the years ended December 31, 2017 and 2016, respectively, which are 100 percent of total Enterprise Fund operating receipts for the years ended December 31, 2017 and 2016, respectively. Because of an ongoing investigation referred to in Note 11 to both the 2017 and 2016 financial statements, we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Charges for Services receipts.

Disclaimer of Opinion on Enterprise Fund Receipts on Regulatory Basis of Accounting

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on the Enterprise Fund Receipts on Regulatory Basis of Accounting* paragraph, we were unable to obtain sufficient appropriate audit evidence to opine on the Enterprise Fund financial statements. Accordingly, we have not opined on these financial statements.

Qualification of Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Disclaimer of Opinion on Enterprise Fund Receipts on Regulatory Basis of Accounting*, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Hamden, Vinton County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code §117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Keith Faber
Auditor of State
Columbus, Ohio

November 4, 2019

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Village of Hamden, Ohio

Vinton County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$27,856	\$40,891	\$0	\$68,747
Intergovernmental	44,476	129,278	0	173,754
Charges for Services	4,000	0	0	4,000
Fines, Licenses and Permits	5,996	0	0	5,996
Earnings on Investments	1,393	68	0	1,461
Miscellaneous	1,939	1,857	0	3,796
<i>Total Cash Receipts</i>	<u>85,660</u>	<u>172,094</u>	<u>0</u>	<u>257,754</u>
Cash Disbursements				
Current:				
Security of Persons and Property	39,755	150,779	0	190,534
Public Health Services	448	0	0	448
Leisure Time Activities	0	189	0	189
Transportation	0	25,570	0	25,570
General Government	56,540	0	0	56,540
Capital Outlay	0	1,320	0	1,320
Debt Service:				
Principal Retirement	0	1,520	0	1,520
<i>Total Cash Disbursements</i>	<u>96,743</u>	<u>179,378</u>	<u>0</u>	<u>276,121</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,083)</u>	<u>(7,284)</u>	<u>0</u>	<u>(18,367)</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	1,000	0	1,000
Transfers Out	(1,000)	0	0	(1,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,000)</u>	<u>1,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(12,083)</u>	<u>(6,284)</u>	<u>0</u>	<u>(18,367)</u>
<i>Fund Cash Balances, January 1</i>	<u>103,430</u>	<u>94,768</u>	<u>85,776</u>	<u>283,974</u>
Fund Cash Balances, December 31				
Restricted	0	88,484	85,776	174,260
Unassigned (Deficit)	91,347	0	0	91,347
<i>Fund Cash Balances, December 31</i>	<u>\$91,347</u>	<u>\$88,484</u>	<u>\$85,776</u>	<u>\$265,607</u>

See accompanying notes to the basic financial statements

Village of Hamden, Ohio

Vinton County

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

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$369,466	\$0	\$369,466
Miscellaneous	900	0	900
<i>Total Operating Cash Receipts</i>	<u>370,366</u>	<u>0</u>	<u>370,366</u>
Operating Cash Disbursements			
Personal Services	47,878	0	47,878
Employee Fringe Benefits	6,034	0	6,034
Contractual Services	204,437	0	204,437
Supplies and Materials	37,672	0	37,672
Other	2,350	0	2,350
<i>Total Operating Cash Disbursements</i>	<u>298,371</u>	<u>0</u>	<u>298,371</u>
<i>Operating Income (Loss)</i>	<u>71,995</u>	<u>0</u>	<u>71,995</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(2,495)	0	(2,495)
Principal Retirement	(131,768)	0	(131,768)
Interest and Other Fiscal Charges	(37,799)	0	(37,799)
Other Financing Sources	0	6,476	6,476
Other Financing Uses	0	(7,302)	(7,302)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(172,062)</u>	<u>(826)</u>	<u>(172,888)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(100,067)</u>	<u>(826)</u>	<u>(100,893)</u>
Special Item	781	0	781
<i>Net Change in Fund Cash Balances</i>	<u>(99,286)</u>	<u>(826)</u>	<u>(100,112)</u>
<i>Fund Cash Balances, January 1</i>	<u>216,121</u>	<u>1,036</u>	<u>217,157</u>
<i>Fund Cash Balances, December 31</i>	<u>\$116,835</u>	<u>\$210</u>	<u>\$117,045</u>

See accompanying notes to the basic financial statements

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

Note 1 - Reporting Entity

The Village of Hamden (the Village), Vinton 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, park operations, fire services and police services.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 7 to the financial statements provide additional information for the entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Police Levy This fund receives levy money to fund the Hamden Police Department to provide protection services to the Village.

State Grant - State Fire Marshall This fund receives grant money to purchase equipment for the Hamden Volunteer Fire Department.

Federal restricted FEMA Grant This fund received grant money to purchase equipment for the Hamden Volunteer Fire Department.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Sewer Construction Fund This fund receives grant and loan proceeds to fund construction of a central sanitary sewer system in the incorporated area of Hamden including the construction of a wastewater treatment facility.

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 accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover water service charges.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover sewer service costs.

Trash Fund The Trash fund accounts for the provision of sanitation/trash collection to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover sanitation costs.

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 4.

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 has two checking accounts and certificates of deposit, which are valued 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.

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.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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 exceeded appropriation authority in the State Grant, FEMA Federal Grant, Fire Levy, Sewer Operating, Sewer Preventative Maintenance, and Water Operating Funds by \$3,120, \$77,143, \$8,410, \$13,486, \$9,888, and \$2,920 respectively, for the year ended December 31, 2017. Also contrary to Ohio law, at December 31, 2017, appropriations exceeded estimated resources in the Parks and Recreation, State Grant, and Trash Funds by \$120, \$10,859, and \$559, respectively.

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

Note 4 - Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,861	\$85,660	(\$2,201)
Special Revenue	169,371	173,094	3,723
Capital Projects	8,279	0	(8,279)
Enterprise	342,568	371,147	28,579
Fiduciary	0	6,476	6,476
Total	\$608,079	\$636,377	\$28,298

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,782	\$97,743	\$52,039
Special Revenue	109,286	179,378	(70,092)
Capital Projects	85,766	0	85,766
Enterprise	476,065	470,433	5,632
Fiduciary	0	7,302	(7,302)
Total	\$820,899	\$754,856	\$66,043

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:

Demand deposits	2017 \$299,202
Certificates of deposit	83,450
Total deposits	\$382,652

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 7 - Risk Management

Risk Pool Membership

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

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.

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

Note 7 - Risk Management (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 8 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Village 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, 2017.

Note 9 - Postemployment Benefits

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

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan		
4535	\$2,281,691	1.5%
5199	\$390,836	0.0%
5853	\$69,327	2.0%
5907	\$111,653	1.0%
Ohio Public Works Commission		
CO071	\$253,125	0.0%
CT61R	<u>21,275</u>	0.0%
Total	<u>\$3,127,907</u>	

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

Note 10 – Debt (Continued)

The Ohio Water Development Authority (OWDA) loan 4535 relates to the construction of a water and sewer plant expansion project approved by the Ohio Environmental Protection Agency. The OWDA provided \$3,000,000 in loans to the Village for the project in 2006. The Village began repaying this loan in 2009 with semi-annual installments that will last 30 years.

The Ohio Water Development Authority (OWDA) loan 5199 relates to water system renovations, and included funding received from the Drinking Water Assistance Fund and the American Recovery and Reinvestment Act (ARRA). The project was approved in 2009 by the OWDA with a projected cost of \$2,506,424 with \$1,752,548 in principal forgiveness through ARRA. During the 2010 – 2011 audit period, the Village expended \$1,853,675 on the project and \$1,404,354 of the principal was forgiven through ARRA. The Village began repaying the loan in 2010 with semiannual installments that will last 30 years.

The Ohio Water Development Authority (OWDA) loan 5853 relates to the construction of a sludge belt press to be used in conjunction with the Village's water and sewer plant. The total loan amount approved was \$100,000 plus capitalized interest. The Village originally took out loan 5781 through OWDA for the sludge belt design in the amount of \$20,802. The loan was paid off with this loan. The Vinton County Commissioners contributed \$240,000 of Appalachian Regional Commission Grant money towards the construction of the Belt Press. The Village began repaying the loan in 2012 with the semi-annual installments that will last 30 years.

The Ohio Water Authority (OWDA) loan 5907 relates to the completion of the water renovation project. The total loan amount approved was \$223,000 plus capitalized interest. The Village began repaying the loan in 2012 with semi-annual installments that will last 30 years.

The Ohio Public Works Commission (OPWC) loan CO071 relates to the water and sewer maintenance and repair project the village received funding through OWDA. In 2009, the OPWC approve the loan for \$375,000 and a debt repayment grant for \$410,000. The Village began repaying the loan in 2011 with semi-annual installments that will last 20 years.

The Ohio Public Works Commission (OPWC) loan CT61R relates to the storm sewer improvement project. In 2014, the OPWC approved a loan for \$22,798 and a grant for \$410,000. The Village will begin repaying the loan in 2017 with semi-annual installments that will last 15 years.

For all the loans associated with the water and sewer projects the water and sewer receipts collateralized the loans. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Village acquired a loan through the Department of Commerce – State Fire Marshall's Office for \$150,000 in June of 2006 to fund a portion of the cost of a new fire station. The Village received this money; however the Village entered an agreement wherein the Hamden Volunteer Fire Department will repay the loan principal and interest. The loan was satisfied with the last installment payment being paid in June 2016.

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

Note 10 – Debt (Continued)

Amortization

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

Year Ending December 31:	OWDA Loan #4535	OWDA Loan #5199	OWDA Loan #5853	OWDA Loan #5907	OPWC Loan #CO071	OPWC Loan #CT61R
2018	\$62,275	\$8,685	\$1,826	\$2,622	\$18,750	\$1,520
2019	124,550	17,370	3,651	5,244	18,750	1,520
2020	124,550	17,370	3,651	5,244	18,750	1,520
2021	124,550	17,370	3,651	5,244	18,750	1,520
2022	124,550	17,370	3,651	5,244	18,750	1,520
2023-2027	622,751	86,852	18,257	26,222	93,750	7,598
2028-2032	622,751	86,852	18,257	26,222	65,625	6,077
2033-2037	622,751	86,852	18,257	26,222	0	0
2038-2042	249,100	52,115	16,428	23,600	0	0
Total	<u>\$2,677,828</u>	<u>\$390,836</u>	<u>\$87,629</u>	<u>\$125,864</u>	<u>\$253,125</u>	<u>\$21,275</u>

Note 11 – Special Investigation

The Bureau of Criminal Investigation is conducting a special investigation. As of the date of this report, the investigation is ongoing. The results of the investigation will be reported on at a later date.

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Village of Hamden, Ohio

Vinton County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$32,162	\$37,857	\$0	\$70,019
Intergovernmental	39,408	43,607	0	83,015
Charges for Services	11,000	0	0	11,000
Fines, Licenses and Permits	2,965	0	0	2,965
Earnings on Investments	1,048	54	0	1,102
Miscellaneous	1,979	0	0	1,979
<i>Total Cash Receipts</i>	<u>88,562</u>	<u>81,518</u>	<u>0</u>	<u>170,080</u>
Cash Disbursements				
Current:				
Security of Persons and Property	37,427	54,207	0	91,634
Public Health Services	53	0	0	53
Leisure Time Activities	0	228	0	228
Transportation	0	27,763	0	27,763
General Government	67,345	592	0	67,937
<i>Total Cash Disbursements</i>	<u>104,825</u>	<u>82,790</u>	<u>0</u>	<u>187,615</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,263)</u>	<u>(1,272)</u>	<u>0</u>	<u>(17,535)</u>
<i>Net Change in Fund Cash Balances</i>	(16,263)	(1,272)	0	(17,535)
<i>Fund Cash Balances, January 1</i>	<u>119,693</u>	<u>96,040</u>	<u>85,776</u>	<u>301,509</u>
Fund Cash Balances, December 31				
Restricted	0	94,768	85,776	180,544
Unassigned (Deficit)	<u>103,430</u>	<u>0</u>	<u>0</u>	<u>103,430</u>
<i>Fund Cash Balances, December 31</i>	<u>\$103,430</u>	<u>\$94,768</u>	<u>\$85,776</u>	<u>\$283,974</u>

See accompanying notes to the basic financial statements

Village of Hamden, Ohio

Vinton County

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

	Proprietary Fund Types		Fiduciary Fund Types	Totals
	Enterprise		Agency	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$380,569		\$0	\$380,569
Miscellaneous	50		0	50
<i>Total Operating Cash Receipts</i>	<u>380,619</u>		<u>0</u>	<u>380,619</u>
Operating Cash Disbursements				
Personal Services	68,670		0	68,670
Employee Fringe Benefits	12,085		0	12,085
Contractual Services	191,474		0	191,474
Supplies and Materials	10,140		0	10,140
Other	3,250		0	3,250
<i>Total Operating Cash Disbursements</i>	<u>285,619</u>		<u>0</u>	<u>285,619</u>
<i>Operating Income (Loss)</i>	<u>95,000</u>		<u>0</u>	<u>95,000</u>
Non-Operating Receipts (Disbursements)				
Principal Retirement	(134,163)		0	(134,163)
Interest and Other Fiscal Charges	(35,403)		0	(35,403)
Other Financing Sources			4,217	4,217
Other Financing Uses			(3,340)	(3,340)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(169,566)</u>		<u>877</u>	<u>(168,689)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(74,566)</u>		<u>877</u>	<u>(73,689)</u>
Special Item	1,122		0	1,122
<i>Net Change in Fund Cash Balances</i>	<u>(73,444)</u>		<u>877</u>	<u>(72,567)</u>
<i>Fund Cash Balances, January 1</i>	<u>289,565</u>		<u>159</u>	<u>289,724</u>
<i>Fund Cash Balances, December 31</i>	<u>\$216,121</u>		<u>\$1,036</u>	<u>\$217,157</u>

See accompanying notes to the basic financial statements

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

Note 1 - Reporting Entity

The Village of Hamden (the Village), Vinton 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, park operations, fire services and police services.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Police Levy This fund receives levy money to fund the Hamden Police Department to provide protection services to the Village.

State Grant - State Fire Marshall This fund receives grant money to purchase equipment for the Hamden Volunteer Fire Department.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Sewer Construction Fund This fund receives grant and loan proceeds to fund construction of a central sanitary sewer system in the incorporated area of Hamden including the construction of a wastewater treatment facility.

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 accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover water service charges.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover sewer service costs.

Trash Fund The Trash fund accounts for the provision of sanitation/trash collection to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover sanitation costs.

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

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

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

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 4.

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 has two checking accounts and certificates of deposit, which are valued 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.

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.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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 exceeded appropriation authority in the Fire Levy Fund by \$3,911 for the year ended December 31, 2016. Also contrary to Ohio law, at December 31, 2016, appropriations exceeded estimated resources in the Parks and Recreation Fund by \$7,892.

Note 4 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,472	\$88,562	\$90
Special Revenue	79,427	81,518	2,091
Capital Projects	13,642	0	(13,642)
Enterprise	355,546	381,741	26,195
Fiduciary	0	4,217	4,217
Total	\$537,087	\$556,038	\$18,951

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

Note 4 - Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$129,789	\$104,825	\$24,964
Special Revenue	104,016	82,790	21,226
Capital Projects	85,766	0	85,766
Enterprise	509,098	455,185	53,913
Fiduciary	6,000	3,340	2,660
Total	\$834,669	\$646,140	\$188,529

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:

	2016
Demand deposits	\$418,394
Certificates of deposit	82,737
Total deposits	\$501,131

Deposits

Deposits are insured by the Federal Deposit 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

Note 7 - Risk Management

Risk Pool Membership

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 8 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Village 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.

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

Note 8 - Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System (Continued)

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, 2016.

Note 9 - Postemployment Benefits

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

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan		
4535	\$2,367,496	1.5%
5199	\$408,207	0.0%
5853	\$70,767	2.0%
5907	\$116,251	1.0%
Ohio Public Works Commission		
CO071	\$271,875	0.0%
CT61R	22,795	0.0%
Total	\$3,257,391	

The Ohio Water Development Authority (OWDA) loan 4535 relates to the construction of a water and sewer plant expansion project approved by the Ohio Environmental Protection Agency. The OWDA provided \$3,000,000 in loans to the Village for the project in 2006. The Village began repaying this loan in 2009 with semi-annual installments that will last 30 years.

The Ohio Water Development Authority (OWDA) loan 5199 relates to water system renovations, and included funding received from the Drinking Water Assistance Fund and the American Recovery and Reinvestment Act (ARRA). The project was approved in 2009 by the OWDA with a projected cost of \$2,506,424 with \$1,752,548 in principal forgiveness through ARRA. During the 2010 – 2011 audit period, the Village expended \$1,853,675 on the project and \$1,404,354 of the principal was forgiven through ARRA. The Village began repaying the loan in 2010 with semiannual installments that will last 30 years.

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

Note 10 – Debt (Continued)

The Ohio Water Development Authority (OWDA) loan 5853 relates to the construction of a sludge belt press to be used in conjunction with the Village's water and sewer plant. The total loan amount approved was \$100,000 plus capitalized interest. The Village originally took out loan 5781 through OWDA for the sludge belt design in the amount of \$20,802. The loan was paid off with this loan. The Vinton County Commissioners contributed \$240,000 of Appalachian Regional Commission Grant money towards the construction of the Belt Press. The Village began repaying the loan in 2012 with the semi-annual installments that will last 30 years.

The Ohio Water Authority (OWDA) loan 5907 relates to the completion of the water renovation project. The total loan amount approved was \$223,000 plus capitalized interest. The Village began repaying the loan in 2012 with semi-annual installments that will last 30 years.

The Ohio Public Works Commission (OPWC) loan CO071 relates to the water and sewer maintenance and repair project the village received funding through OWDA. In 2009, the OPWC approve the loan for \$375,000 and a debt repayment grant for \$410,000. The Village began repaying the loan in 2011 with semi-annual installments that will last 20 years.

The Ohio Public Works Commission (OPWC) loan CT61R relates to the storm sewer improvement project. In 2014, the OPWC approved a loan for \$22,798 and a grant for \$410,000. The Village will begin repaying the loan in 2017 with semi-annual installments that will last 15 years.

For all the loans associated with the water and sewer projects the water and sewer receipts collateralized the loans. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Village acquired a loan through the Department of Commerce – State Fire Marshall's Office for \$150,000 in June of 2006 to fund a portion of the cost of a new fire station. The Village received this money; however the Village entered an agreement wherein the Hamden Volunteer Fire Department will repay the loan principal and interest. The loan was satisfied with the last installment payment being paid in June 2016.

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

Note 10 – Debt (Continued)

Amortization

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

Year Ending December 31:	OWDA Loan #4535	OWDA Loan #5199	OWDA Loan #5853	OWDA Loan #5907	OPWC Loan #CO071	OPWC Loan #CT61R
2017	\$62,275	\$8,685	\$1,826	\$2,622	\$18,750	\$1,520
2018	124,550	17,370	3,651	5,244	18,750	1,520
2019	124,550	17,370	3,651	5,244	18,750	1,520
2020	124,550	17,370	3,651	5,244	18,750	1,520
2021	124,550	17,370	3,651	5,244	18,750	1,520
2022-2026	622,751	86,852	18,257	26,222	93,750	7,598
2027-2031	622,751	86,852	18,257	26,222	84,375	7,597
2032-2036	622,751	86,852	18,257	26,222	0	0
2037-2041	373,650	69,486	18,257	26,222	0	0
2042	0	0	1,826	2,622	0	0
Total	<u>\$2,802,378</u>	<u>\$408,207</u>	<u>\$91,284</u>	<u>\$131,108</u>	<u>\$271,875</u>	<u>\$22,795</u>

Note 11 – Special Investigation

The Bureau of Criminal Investigation is conducting a special investigation. As of the date of this report, the investigation is ongoing. The results of the investigation will be reported on at a later date.

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OHIO AUDITOR OF STATE KEITH FABER



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SoutheastRegion@ohioauditor.gov

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

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

To the Village Council:

We have audited, 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 Hamden, Vinton County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 4, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We did not express an opinion on the Enterprise Fund Type.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2017-005 and 2017-006 to be material weaknesses.

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 2017-001 through 2017-004.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 4, 2019

VILLAGE OF HAMDEN
VINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Finding for Recovery - Mayor's Court Clerk

Ohio Rev. Code § 9.39 provides that all public officials are liable for all public money received or collected by them or by their subordinates under color of office.

Pursuant to Ohio Rev. Code § 2921.41(A) no public official shall commit any theft offense, as defined in division (K) of section 2913.01 of the Revised Code, when either of the following applies: (1) The offender uses the offender's office in aid of committing the offense or permits or assents to its use in aid of committing the offense; (2) The property or service involved is owned by this state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund. (B) Whoever violates this section is guilty of theft in office.

Angela Browning, former Mayor's Court Clerk, was responsible for collecting, recording, and depositing mayor's court receipts. Computer generated receipts can be generated from the system; however, duplicate receipts were not used to document cash received.

During our testing of comparing Mayor's Court receipts per the computer system to bank deposits, \$495 of mayor's court receipts were collected but unaccounted for in 2016.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money collected but unaccounted for is hereby issued against Angela Browning, former Mayor's Court clerk, and her insurance company, Ohio Plan Risk Management, Inc., jointly and severally, in the amount of \$495 and in favor of the Village's Mayor's Court Agency Fund.

FINDING NUMBER 2017-002

Noncompliance Citation

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official certificate.

During 2017, appropriations exceeded estimated resources as follows:

Fund	Estimated Resources	Appropriations	Variance
Parks and Recreation	\$ 175	\$ 295	\$ (120)
State Grant - State Fire Marshall	(10,859)	0	(10,859)
Trash Fund	53,746	54,305	(559)

During 2016, appropriations exceeded estimated resources in the Parks and Recreation Fund by \$7,892.

This could result in overspending of available resources.

**VILLAGE OF HAMDEN
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016 (Continued)**

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

FINDING NUMBER 2017-002 (Continued)

Noncompliance Citation - Ohio Rev. Code § 5705.39 (Continued)

The Fiscal Officer should monitor the approved appropriations to ensure they do not exceed the estimated resources on the amended certificates.

FINDING NUMBER 2017-003

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated.

At December 31, 2017, expenditures exceeded appropriations as follows:

Fund	Approved Appropriations	Expenditures	Variance
State Grant - State Fire Marshall	\$ -	\$ 3,120	\$ (3,120)
FEMA Federal Grant	0	77,143	(77,143)
Fire Levy	18,770	27,180	(8,410)
Sewer Operating Fund	102,645	116,491	(13,846)
Sewer Fund - Preventative Maintenance	2,000	11,888	(9,888)
Water Operating	123,115	126,035	(2,920)

At December 2016, expenditures exceeded appropriations in the Fire Levy Fund by \$3,911.

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Village.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

FINDING NUMBER 2017-004

Noncompliance Citation

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. 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 standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

VILLAGE OF HAMDEN
VINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016 (Continued)

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

FINDING NUMBER 2017-004 (Continued)

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

1. "Then and Now" Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

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

The Village had unrecorded encumbrances totaling \$9,842 and \$12,411 at December 31, 2017 and 2016, respectively in various funds. Also, eighty-eight percent and eighty-six percent of transactions tested for December 31, 2017 and 2016, respectively, were not certified by the Village Fiscal Officer at the time the commitment was incurred. In addition, there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Furthermore, the Village used "blanket" certificates for which Village Council did not have a resolution adopted to establish a maximum amount.

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

The Village officials should obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. In addition, Village Council should adopt a resolution to establish a maximum amount for "blanket certificates".

**VILLAGE OF HAMDEN
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016 (Continued)**

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

FINDING NUMBER 2017-005

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2017, estimated receipts as approved by the Budget Commission did not agree to UAN for the following funds:

	Approved	UAN system	Variance
General Fund	\$ 87,861	\$ 83,809	\$ 4,052
Street Construction, Repair, and Maintenance Fund	33,079	27,550	5,529
State Highway Fund	2,625	2,357	268
Parks and Recreation	0	1,120	(1,120)
State Grant - State Fire Marshall Fund	(10,861)	14,680	(25,541)
Fire Levy Fund	25,162	8,020	17,142
Police Levy Fund	42,223	38,794	3,429
Sewer Construction Fund	8,279	0	8,279
Water Operating Fund	120,827	121,250	(423)
Water Preventive Maintenance Fund	(6,615)	12,400	(19,015)
Sewer Operating Fund	67,638	62,675	4,963
Sewer Preventive Maintenance Fund	(8,513)	13,900	(22,413)
Trash Fund	40,931	43,000	(2,069)
Guaranty Utility Deposits	3,300	3,500	(200)

**VILLAGE OF HAMDEN
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016 (Continued)**

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

FINDING NUMBER 2017-005 (Continued)

Material Weakness (Continued)

At December 31, 2016, estimated receipts as approved by the Budget Commission did not agree to UAN for the following funds:

	Approved	UAN system	Variance
Street Construction, Repair, and Maintenance Fund	\$ 30,472	\$ 31,915	\$ (1,443)
State Highway Fund	2,474	2,591	(117)
Parks and Recreation	(8,000)	0	(8,000)
Sewer Construction Fund	13,642	0	13,642
Water Operating Fund	121,296	125,133	(3,837)
Water Preventive Maintenance Fund	2,400	2,647	(247)
Sewer Operating Fund	64,128	65,187	(1,059)
Sewer Preventive Maintenance Fund	4,263	4,738	(475)
Trash Fund	40,960	42,048	(1,088)
Enterprise Debt Service Reserve Fund	120,000	136,617	(16,617)
Guaranty Utility Deposits	2,500	3,760	(1,260)

At December 31, 2017, approved appropriations did not agree to UAN as follows:

	Approved	UAN system	Variance
General Fund	\$ 149,782	\$ 97,744	\$ 52,038
Street Construction, Repair, and Maintenance Fund	31,738	23,750	7,988
State Highway Fund	7,976	3,340	4,636
Parks and Recreation	295	189	106
Federal Grant	0	77,143	(77,143)
State Grant - State Fire Marshall Fund	0	3,120	(3,120)
Fire Levy Fund	18,770	27,180	(8,410)
Police Levy Fund	50,507	44,655	5,852
Sewer Construction Fund	85,766	0	85,766
Water Operating Fund	121,115	126,034	(4,919)
Water Preventive Maintenance Fund	4,000	2,495	1,505
Sewer Operating Fund	102,645	116,491	(13,846)
Sewer Preventive Maintenance Fund	2,000	11,888	(9,888)
Trash Fund	54,305	49,931	4,374
Enterprise Debt Service Reserve Fund	185,000	161,242	23,758
Guaranty Utility Deposits	5,000	2,350	2,650

**VILLAGE OF HAMDEN
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016 (Continued)**

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

FINDING NUMBER 2017-005 (Continued)

Material Weakness (Continued)

At December 31, 2016, approved appropriations did not agree to UAN as follows:

	Approved	UAN system	Variance
General Fund	\$ 129,366	\$ 104,536	\$ 24,830
Street Construction, Repair, and Maintenance Fund	32,059	22,907	9,152
State Highway Fund	7,918	4,899	3,019
Parks and Recreation	295	229	66
Fire Levy Fund	8,950	12,893	(3,943)
Police Levy Fund	46,210	41,281	4,929
Sewer Construction Fund	85,766	0	85,766
Water Operating Fund	127,200	124,113	3,087
Water Preventive Maintenance Fund	4,000	1,157	2,843
Sewer Operating Fund	123,390	104,130	19,260
Sewer Preventive Maintenance Fund	2,000	134	1,866
Trash Fund	61,057	55,590	5,467
Enterprise Debt Service Reserve Fund	185,000	165,358	19,642
Guaranty Utility Deposits	5,000	3,250	1,750

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) were not properly posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Fiscal Officer should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Fiscal Officer and Council should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

FINDING NUMBER 2017-006

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

**VILLAGE OF HAMDEN
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016 (Continued)**

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

FINDING NUMBER 2017-006 (Continued)

Material Weakness (Continued)

The financial statements had the following errors that required audit adjustment or reclassification:

2016:

- Street Construction, Maintenance, and Repair intergovernmental receipts of \$6,740 were incorrectly classified as taxes receipts;
- Police Levy Fund intergovernmental receipts of \$4,489 were incorrectly classified as taxes receipts;
- Enterprise Debt Service Reserve Fund debt service interest disbursements of \$3,805 were incorrectly classified as debt service principal disbursements;
- Mayor's Court Agency Fund other financing sources receipts of \$3,185 were incorrectly classified as fines, licenses, and permits receipts;
- Mayor's Court Agency Fund other financing uses disbursements of \$720 were incorrectly classified as other disbursements; and
- Mayor's Court Agency Fund other financing sources receipts of \$1,032 and other financing uses disbursements of \$155 were unrecorded.

2017:

- General Fund intergovernmental receipts of \$7,582 were incorrectly classified as taxes receipts;
- Fire Levy Fund intergovernmental receipts of \$1,511 were incorrectly classified as taxes receipts;
- Police Levy Fund intergovernmental receipts of \$8,394 were incorrectly classified as taxes receipts;
- Mayor's Court Agency Fund other financing sources receipts were overstated \$1,913 and other financing uses disbursements were overstated \$597; and
- Mayor's Court Agency Fund other financing sources receipts of \$6,476 were incorrectly classified as fines, licenses, and permits receipts; and
- Mayor's Court Agency Fund other financing uses disbursements of \$1,895 were incorrectly classified as other disbursements.

The following represents the cumulative effect of the adjustments listed above on the respective fund cash balances as of December 31, 2017:

Fund		Unadjusted 12/31/17 Fund Balance	Audit Adjustments	Adjusted 12/31/17 Fund Balance
9901	Mayor's Court	\$647	(\$437)	\$ 210

The audited financial statements and the Village's UAN accounting system have been adjusted for the item noted above.

The Fiscal Officer should review the Village handbook for guidance to ensure the financial statements are complete and accurate.

Official's Response: We did not receive responses from Officials to the Findings reported above.

Village of Hamden

Michael K. Woodruff, Mayor

48 E. Railroad Street
P.O. Box 355
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740-384-5359/Fax-740-384-6609

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Admin. Code § 117-2-02(A) – Not properly reconciling accounting system to bank balance.	Corrected.	Reconcile monthly with bank. New Fiscal Officer in 2019.
2015-002	Ohio Admin. Code § 117-2-02(C)(1) – estimated receipts and approved appropriations did not agree to amounts in the system.	Not corrected.	Corrective actions on-going.
2015-003	Ohio Rev. Code § 5705.41(B) – Actual disbursements exceeded appropriations.	Not corrected.	New Fiscal Officer will be addressing these issues.
2015-004	Ohio Rev. Code § 5705.41(D) – Not properly encumbering funds.	Not corrected.	No purchases can be made without going through in-placed proper procedures.
2015-005	Material weakness for errors in posting receipts and disbursements.	Not corrected.	Receipts are deposited on date received unless there is unforeseen circumstance. Disbursements are completed upon approval of council.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF HAMDEN

VINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 19, 2019