



**Auditor of State
Betty Montgomery**

VILLAGE OF HAMERSVILLE
BROWN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Hamersville
Brown County
P.O. Box 146
Hamersville, Ohio 45130

To the Village Council:

We have audited the accompanying financial statements of the Village of Hamersville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Ohio Administrative Code Section 117-2-02(A) requires the Village to classify disbursements in its financial statements. The Village did not classify operating disbursements in the combined Enterprise Funds for 2000.

In our opinion, except for the omission of 2000 combined Enterprise Fund disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 18, 2003

**VILLAGE OF HAMERSVILLE
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$6,762	\$5,656	\$12,418
Intergovernmental Receipts	73,293	28,210	101,503
Fines, Licenses, and Permits	8,920	450	9,370
Earnings on Investments	16,910	1,787	18,697
Miscellaneous	6,448		6,448
Total Cash Receipts	112,333	36,103	148,436
Cash Disbursements:			
Current:			
Security of Persons and Property	21,970	464	22,434
Public Health Services	911		911
Transportation		73,464	73,464
General Government	17,214		17,214
Total Cash Disbursements	40,095	73,928	114,023
Total Receipts Over/(Under) Disbursements	72,238	(37,825)	34,413
Other Financing Receipts and (Disbursements):			
Transfers-In		12,000	12,000
Transfers-Out	(15,851)		(15,851)
Total Other Financing Receipts/(Disbursements)	(15,851)	12,000	(3,851)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	56,387	(25,825)	30,562
Fund Cash Balances, January 1	8,157	66,256	74,413
Fund Cash Balances, December 31	\$64,544	\$40,431	\$104,975

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$687,225		\$687,225
Fines, Licenses, Permits	\$10,571		\$10,571
Miscellaneous	1,019		1,019
	<hr/>		<hr/>
Total Operating Cash Receipts	698,815	0	698,815
	<hr/>		<hr/>
Operating Cash Disbursements:			
Personal Services	59,841		59,841
Fringe Benefits	13,853		13,853
Contractual Services	513,169		513,169
Supplies and Materials	28,344		28,344
Capital Outlay	1,057		1,057
Miscellaneous	80,268		80,268
	<hr/>		<hr/>
Total Operating Cash Disbursements	696,532	0	696,532
	<hr/>		<hr/>
Operating Income/(Loss)	2,283	0	2,283
	<hr/>		<hr/>
Non-Operating Cash Receipts:			
Proceeds from Bonds	1,000,000		1,000,000
Accrued Interest on Bonds	2,433		2,433
Interest	3,287		3,287
Other Non Operating Cash Receipts	18	8,959	8,977
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Receipts	1,005,738	8,959	1,014,697
	<hr/>	<hr/>	<hr/>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	900,000		900,000
Interest	56,094		56,094
Other Non-Operating Cash Disbursements		8,757	8,757
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	956,094	8,757	964,851
	<hr/>	<hr/>	<hr/>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	51,927	202	52,129
	<hr/>	<hr/>	<hr/>
Transfers-In	325,545		325,545
Transfers-Out	(321,694)		(321,694)
	<hr/>		<hr/>
Net Receipts Over/(Under) Disbursements	55,778	202	55,980
	<hr/>		<hr/>
Fund Cash Balances, January 1	592,404	939	593,343
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$648,182</u>	<u>\$1,141</u>	<u>\$649,323</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	\$1,696	\$0	\$1,696
	<hr/>	<hr/>	<hr/>

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$5,637	\$6,443	\$12,080
Intergovernmental Receipts	9,158	30,632	39,790
Fines, Licenses, and Permits	15,785	2,930	18,715
Earnings on Investments	13,979	1,216	15,195
Miscellaneous	41	0	41
	<u>44,600</u>	<u>41,221</u>	<u>85,821</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	5,676	1,458	7,134
Transportation		20,289	20,289
General Government	49,153		49,153
	<u>54,829</u>	<u>21,747</u>	<u>76,576</u>
Total Cash Disbursements			
	<u>(10,229)</u>	<u>19,474</u>	<u>9,245</u>
Total Receipts Over/(Under) Disbursements			
	<u>12,000</u>	<u>(12,000)</u>	<u>12,000</u>
	<u>12,000</u>	<u>(12,000)</u>	<u>0</u>
Other Financing Receipts and (Disbursements):			
Other Financing Sources	12,000		12,000
Other Financing Uses		(12,000)	(12,000)
	<u>12,000</u>	<u>(12,000)</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,771	7,474	9,245
Fund Cash Balances, January 1	6,386	58,782	65,168
	<u>6,386</u>	<u>58,782</u>	<u>65,168</u>
Fund Cash Balances, December 31	<u>\$8,157</u>	<u>\$66,256</u>	<u>\$74,413</u>
Reserves for Encumbrances, December 31	\$1,000	\$0	\$1,000
	<u>\$1,000</u>	<u>\$0</u>	<u>\$1,000</u>

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$598,680		\$598,680
Miscellaneous	7,055		7,055
Total Operating Cash Receipts	<u>605,735</u>	<u>0</u>	<u>605,735</u>
Operating Cash Disbursements:			
Unclassified	521,452		521,452
Capital Outlay	5,887		5,887
Total Operating Cash Disbursements	<u>527,339</u>	<u>0</u>	<u>527,339</u>
Operating Income/(Loss)	<u>78,396</u>	<u>0</u>	<u>78,396</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	9,398		9,398
Proceeds from Notes and Bonds	1,850,000		1,850,000
Interest	9,372		9,372
Other Non-Operating Cash Receipts		25,374	25,374
Total Non-Operating Cash Receipts	<u>1,868,770</u>	<u>25,374</u>	<u>1,894,144</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	1,900,000		1,900,000
Interest	74,021		74,021
Other Non-Operating Cash Disbursements		25,724	25,724
Total Non-Operating Cash Disbursements	<u>1,974,021</u>	<u>25,724</u>	<u>1,999,745</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>(26,855)</u>	<u>(350)</u>	<u>(27,205)</u>
Transfers-In	171,840		171,840
Transfers-Out	<u>(171,840)</u>		<u>(171,840)</u>
Net Receipts Over/(Under) Disbursements	(26,855)	(350)	(27,205)
Fund Cash Balances, January 1	<u>619,259</u>	<u>1,289</u>	<u>620,548</u>
Fund Cash Balances, December 31	<u>\$592,404</u>	<u>\$939</u>	<u>\$593,343</u>
Reserve for Encumbrances, December 31	<u>\$8,400</u>	<u>\$0</u>	<u>\$8,400</u>

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians which are not included in these financial statements.

B. Basis of Accounting

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

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

C. Cash and Investments

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

Certificates of deposits are valued at cost. Money Market mutual funds (including Star Ohio) are recorded at shares values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Fund

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

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

3. Enterprise Funds

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

Bond Retirement Fund – This fund is used to retire debt issued from the 1997 Sewer System Improvement Bond.

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

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

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

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

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

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Agency Fund – This fund receives fines collected by Mayor's Court which are distributed to the Village and State.

**VILLAGE OF HAMERSVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments as required.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$405,365	\$482,347
Certificates of deposit	100,000	100,000
Total deposits	505,365	582,347
Fifth Third US Treasury Money Market Account	248,933	
STAROhio		85,409
Total investments	248,933	85,409
Total Deposits and Investments	\$754,298	\$667,756

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,863	\$112,333	\$62,470
Special Revenue	14,121	48,103	33,982
Enterprise	689,047	2,030,098	1,341,051
Total	\$753,031	\$2,190,534	\$1,437,503

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$58,850	\$55,946	\$2,904
Special Revenue	78,495	73,928	4,567
Enterprise	1,212,470	1,976,016	(763,546)
Total	\$1,349,815	\$2,105,890	(\$756,075)

**VILLAGE OF HAMERSVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	60,000	56,600	(3,400)
Special Revenue	29,900	41,221	11,321
Enterprise	546,000	2,646,345	2,100,345
Total	<u>635,900</u>	<u>2,744,166</u>	<u>2,108,266</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$60,511	\$55,829	\$4,682
Special Revenue	77,200	33,747	43,453
Enterprise	804,073	2,681,600	(1,877,527)
Total	<u>\$941,784</u>	<u>\$2,771,176</u>	<u>(\$1,829,392)</u>

In 2001, expenditures exceeded appropriations in the Street Construction and Maintenance Fund by \$12,564, the Bond Retirement Fund by \$1,042,554 and Sewer Operating Fund by \$4,552.

In 2000, expenditures exceeded appropriations in the Bond Retirement Fund by \$119,602, the Sewer Construction by \$5,887, the Water Operating Fund by \$22,416, the Enterprise Debt Service by \$1,618, the Electric Deposit Fund by \$1,590, the Water Deposit Fund by \$1,150, the Bond Fund by \$1,969,289, and the Project Fund by \$352.

Contrary to Ohio Law, the Village did not hold any tax budget hearings for 2001 or 2000, did not pass an ordinance or resolution to authorize the necessary tax levies and certify the levies to the county auditor for 2000, did not file certifications of amounts available for expenditures at fiscal year-end by the required date for 2001 or 2000, and did not adopt annual appropriation measures by the required date for 2001 or 2000.

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF HAMERSVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Sewer System Mortgage Revenue Bond	\$1,000,000	5.91%

The Village's Sewer System Mortgage Revenue Bonds were for the construction of the Village's sewer system.

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

	Mortgage Revenue Bonds
Year ending December 31:	
2002	\$75,989
2003	72,568
2004	71,744
2005	75,919
2006	74,819
2007-2010	298,001
2011-2015	377,995
2016-2020	346,526
2021-2025	326,056
2026-2030	320,400
2031	63,600
Total	\$2,103,617

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant [and 24% of fire participant] wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF HAMERSVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. RISK POOL MEMBERSHIP

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-occurrence limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	19,358,458	\$17,112,129
Liabilities	<u>(8,827,588)</u>	<u>(7,715,035)</u>
Retained earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	1,890,323	\$1,575,614
Liabilities	<u>(469,100)</u>	<u>(281,561)</u>
Retained earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Hamersville
Brown County
P.O. Box 146
Hamersville, Ohio 45130

To the Village Council:

We have audited the accompanying financial statements of the Village of Hamersville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated September 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as Items 2001-001 through 2001-004 and 2001-006. We also noted immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 18, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of findings as items 2001-001 through 2001-003 and 2001-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We consider all the reportable conditions described above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 18, 2003.

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

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

Betty Montgomery
Auditor of State

September 18, 2003

**VILLAGE OF HAMERSVILLE
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001- 001

Noncompliance Citation/Material Weakness - Budgetary

Ohio Rev. Code, Chapter 5705, prescribes budgetary laws for the Village. The Village did not comply with the following sections of the code:

- A. Ohio Rev. Code, Section 5705.30, requires a Village to hold at least one tax budget hearing. The Village did not hold any tax budget hearings during 2001 and 2000. We recommend the Village hold a tax budget hearing before the adoption of a tax budget as required.
- B. Ohio Rev. Code, Section 5705.34, requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies and certify the levies to the county auditor before October 1 each year. The Village did not authorize the necessary rates and certify them to the county auditor until October 9, 2000 for 2001 and did not authorize the necessary rates and certify them to the county auditor for 2000.
- C. Ohio Rev. Code, Section 5705.36, requires the Village to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year on or about the first day of each fiscal year. The Village did not file a Certificate of the Total Amount from All Sources Available for Expenditures, and Balances for 2000 until March 30, 2000 and March 2, 2001 for 2001.
- D. Ohio Rev. Code, Section 5705.38, requires a taxing authority to pass an annual appropriation measure on or about the first day of each fiscal year. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1. The Village did not adopt an annual appropriation measure for 2000 until March 30, 2000 and March 2, 2001 for 2001 as evidenced by the Brown County Auditor's office date stamp with a temporary appropriation resolution passed on January 8, 2001 as evidenced in the minutes. However, the temporary appropriation resolution could not be located.

**FINDING NUMBER 2001- 001
 (Continued)**

- E. Ohio Rev. Code, Section 5705.41(B), states no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in both 2000 and 2001as follows:

Year	Fund	Appropriations	Expenditures	Variance
2000	Bond Retirement	\$0	\$119,602	(\$119,602)
2000	Sewer Construction		5,887	(5,887)
2000	Water Operating	102,407	124,823	(22,416)
2000	Enterprise Debt Svc.	20,000	21,618	(1,618)
2000	Electric Deposit		1,590	(1,590)
2000	Water Deposit		1,150	(1,150)
2000	Bond Fund		1,969,289	(1,969,289)
2000	Project Fund		352	(352)
2001	Street Construction	60,900	73,464	(12,564)
2001	Bond Retirement	37,000	1,079,554	(1,042,554)
2001	Sewer Operating	322,397	326,949	(4,552)

- F. Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then-and-Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then-and-Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village did not maintain appropriation ledgers in 2000; therefore it was impossible for the Clerk/Treasurer to accurately certify expenditures.

Not certifying rates to the county auditor could result in a delay or loss of funding to the Village. Not adopting or monitoring appropriations and certifying expenditures could result in the Village making illegal expenditures and overextending its' resources and/or committing the Village to obligations that it does not have the ability to pay. To help prevent illegal expenditures and overspending of fund balances, we recommend the Village certify rates to the county auditor adopt and monitor appropriations and certify expenditures.

FINDING NUMBER 2001- 002

Noncompliance Citation/Material Weakness - Receipts and Expenditures

Ohio Rev. Code, Section 733.28, requires the Village Clerk to keep the books of the Village, exhibit accurate statements of all moneys received and expended and maintain records of all the property owned by the Village and the income derived.

Accurate records were not maintained for all monies received and expended. The following problems were noted:

- A. A receipt ledger, appropriation ledger and cash journal were not maintained for 2000.
- B. A payroll ledger was not maintained until July 2000.

All of these conditions exhibit a lack of control over the recording and reporting of Village financial activity and did result in inaccurate and untimely accounting records. The above problems were corrected on 11/30/00 by the Village's implementation of the UAN system of accounting.

FINDING NUMBER 2001- 003

Noncompliance Citation/Material Weakness - Accounting and Reporting Records

Ohio Admin. Code, Section 117-2-01, states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

"Internal Control" means a process affected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of certain objectives, among them reliability of financial reporting.

Ohio Admin. Code, Section 117-2-02, requires that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions. The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements among them being completeness, which requires that all account balances and transactions that should be included in the financial records are included. We noted the following discrepancies with the Village accounting records:

- 1. The Village did not properly reconcile their fund balances to the bank balances for the year 2001 and 2000.
- 2. Receipt and Appropriation Ledgers were not maintained for the year 2000.
- 3. Annual reports were not completed accurately for the year 2000.

Due to these problems, additional costs were incurred by the Village for accounting services rendered by the Office of the Auditor of State to reconcile the records for the period of January 1, 2000 through December 31, 2001, and to classify receipts as well as other posting errors we noted.

We recommend the following:

- 1. Proper monthly bank reconciliations must be performed and each reconciling items be identified.

FINDING NUMBER 2001- 003

2. The Village should file their annual financial report with the Auditor of State, as required by Section 117.38 of the Ohio Revised Code.
3. Village Council should familiarize themselves with the bank reconciliation process and review the monthly bank reconciliations and bank statements to properly determine that correct balances are used for reconciliation and that the reconciliation is complete. Village Council is the governing body and is responsible for the finances of the Village.

The aforementioned records are necessary to provide accurate and complete financial information for management to use in the decision making process, and to aid in the accurate classification of receipts and disbursements on the Village's annual financial report.

FINDING NUMBER 2001- 004

Noncompliance Citation - Bond Covenant

Village of Hamersville Ordinances 2000-07 and 2001-16, authorized the issuance of Series 2000B Sewer Temporary Mortgage Revenue Refunding Bonds and Series 2001 Sewer System Mortgage Revenue Improvement and Refunding Bonds. The Bond Covenant requires the establishment of a Project Fund for acquisition, construction and installation of the sewer project, a Bond Fund for the payment of principal and interest on the bonds and a Surplus Fund for paying the cost of repairing or replacing any unforeseen catastrophic damage to the System or for making principal and interest payments if the amount in the Bond Fund is not sufficient to meet such payments. The Village did not establish these funds as required and did not comply with the bond covenant. If the Village defaults in payment on the debt as a result of not establishing these funds, the bondholders may elect to declare the entire amount of the bonds due and payable. We recommend that these funds be established in order to comply with the debt covenant.

FINDING NUMBER 2001- 005

Material Weakness - Segregation of Duties/Government Oversight

The small size of the Village's staff does not allow for an adequate segregation of duties. The Clerk handles all the financial record keeping including receipting, depositing, check writing, check signing and posting. The weakness of this system is that it allows for diversion of funds through possible alteration of source documents. Also, bookkeeping errors may occur without detection in a timely manner.

The following conditions indicate a need for increased oversight of management by Council.

1. Village accounts were not reconciled during 2000 and 2001.
2. Receipts have been posted to incorrect funds and not detected; and
3. Disbursements were not correctly posted, or not posted at all.
4. Many audit adjustments were required.

These conditions resulted in additional audit costs for the Village. To provide accountability and to strengthen internal accounting controls, officials should periodically review the records (i.e. reconciliations, etc), to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer.

FINDING NUMBER 2001- 006

Noncompliance Citation

Ohio Rev. Code, Section 733.27, provides that the village clerk shall attend all meetings of the legislative authority of the village, and keep a record of its proceedings and of all rules, bylaws, resolutions, and ordinances passed or adopted, which shall be subject to the inspection of all persons interested. In the case of the absence of the clerk, such legislative authority shall appoint one of its members to perform the clerk's duties. No records of proceedings were kept from January 1, 2000 to June 30, 2000.

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**VILLAGE OF HAMERSVILLE
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30408-001	Ohio Rev Code, Section 5705 – prescribes budgetary laws for the Village.	No	Repeated as finding 2001-001
1999-30408-002	Ohio Rev. Code, Section 733.28 – requires the Village clerk to maintain records accurately and completely	No	Repeated as finding 2001-002
1999-30408-003	Ohio Rev. Code, Section 117.43 – describes requirements of a Uniform System of Accounting	No	Repeated as finding 2001-003
1999-30408-004	Village Ordinances 1999-17, 1998-12 and 1997-18 – requires establishment of funds related to Debt Covenant	No	Repeated as finding 2001-004
1999-30408-005	Ohio Rev. Code, Section 5705.09, requires the village to establish a fund for each type of revenue	Yes	Corrected
1999-30408-006	Ohio Rev. Code, Section 117.38, requires the Village prepare an annual report in accordance with forms prescribed by the AOS	No	Repeated as 2001-003
1999-30408-007	Ohio Rev. Code, Section 135.14 & 133.03 (A) (1), requirements for investments other than interim deposits or STAROhio	Yes	Corrected
1999-30408-008	United States Code, Section 3403, provides employers are liable for taxes deducted and withheld	Yes	Corrected
1999-30408-009	Preparation of accurate and complete cash reconciliations	No	Repeated as finding 2001-005
1999-30408-010	Proper segregation of duties	No	Repeated as finding 2001-005



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VILLAGE OF HAMERSVILLE

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 9, 2003**