

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006**





# Mary Taylor, CPA

Auditor of State

Honorable Members of Village Council  
Village of Hamersville  
130 West Main Street  
Hamersville, Ohio 45130

We have reviewed the *Independent Auditors' Report* of the Village of Hamersville, Brown County, prepared by Bastin & Company, LLC, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Hamersville is responsible for compliance with these laws and regulations.

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Mary Taylor, CPA  
Auditor of State

October 1, 2008

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**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO**

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# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Members of Village Council  
Village of Hamersville  
202 West Main Street  
Hamersville, Ohio 45130

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, 2007 and 2006. 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 described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or their changes in financial position or cash flows, where applicable, for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2008, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
July 18, 2008



**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 5,123	\$ 11,803	\$ 16,926
Intergovernmental Receipts	7,506	21,448	28,954
Licenses, Permits, and Fees	12,035	-	12,035
Earnings on Investments	3,582	282	3,864
Miscellaneous	-	800	800
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	28,246	34,333	62,579
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	10,444	5,322	15,766
Public Health Services	68	-	68
Transportation	-	13,144	13,144
General Government	19,067	-	19,067
Debt Service:			
Principal Payments	-	3,265	3,265
Interest and Fiscal Charges	-	131	131
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	29,579	21,862	51,441
	<hr/>	<hr/>	<hr/>
Total Receipts Over (Under) Disbursements	(1,333)	12,471	11,138
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	13,240	76,085	89,325
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 11,907</u>	<u>\$ 88,556</u>	<u>\$ 100,463</u>

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

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO**

**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, 2007**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 888,214	\$ -	\$ 888,214
Total Operating Cash Receipts	<u>888,214</u>	<u>-</u>	<u>888,214</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	66,725	-	66,725
Fringe Benefits	16,417	-	16,417
Contractual Services	587,179	-	587,179
Supplies and Materials	77,462	-	77,462
Total Operating Cash Disbursements	<u>747,783</u>	<u>-</u>	<u>747,783</u>
Operating Income	<u>140,431</u>	<u>-</u>	<u>140,431</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investment	5,516	-	5,516
Special Assessments	40,370	-	40,370
Other Non-Operating Receipts	-	12,016	12,016
Total Non-Operating Cash Receipts	<u>45,886</u>	<u>12,016</u>	<u>57,902</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service-Principal	20,000	-	20,000
Debt Service-Interest	53,719	-	53,719
Other Non-Operating Cash Disbursements	-	12,050	12,050
Total Non-Operating Cash Disbursements	<u>73,719</u>	<u>12,050</u>	<u>85,769</u>
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	112,598	(34)	112,564
Transfers-In	73,719	-	73,719
Transfers-Out	<u>(73,719)</u>	<u>-</u>	<u>(73,719)</u>
Net Receipts Over (Under) Disbursements	112,598	(34)	112,564
Fund Cash Balances, January 1	<u>681,676</u>	<u>287</u>	<u>681,963</u>
Fund Cash Balances, December 31	<u>\$ 794,274</u>	<u>\$ 253</u>	<u>\$ 794,527</u>

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

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 4,190	\$ 10,098	\$ 14,288
Intergovernmental Receipts	7,506	27,285	34,791
Licenses, Permits, and Fees	23,776	-	23,776
Earnings on Investments	3,194	235	3,429
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	38,666	37,618	76,284
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	24,109	8,071	32,180
Public Health Services	400	-	400
Transportation	-	13,645	13,645
General Government	20,633	-	20,633
Debt Service:			
Principal Payments	-	4,293	4,293
Interest and Fiscal Charges	-	238	238
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	45,142	26,247	71,389
	<hr/>	<hr/>	<hr/>
Total Receipts Over (Under) Disbursements	(6,476)	11,371	4,895
Fund Cash Balances, January 1	19,716	64,714	84,430
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 13,240</u>	<u>\$ 76,085</u>	<u>\$ 89,325</u>

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

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO**

**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, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 837,243	\$ -	\$ 837,243
Total Operating Cash Receipts	<u>837,243</u>	<u>-</u>	<u>837,243</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	62,880	-	62,880
Fringe Benefits	16,838	-	16,838
Contractual Services	534,839	-	534,839
Supplies and Materials	83,672	-	83,672
Total Operating Cash Disbursements	<u>698,229</u>	<u>-</u>	<u>698,229</u>
Operating Income	<u>139,014</u>	<u>-</u>	<u>139,014</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investment	1,222	-	1,222
Special Assessments	40,714	-	40,714
Other Non-Operating Cash Receipts	-	22,473	22,473
Total Non-Operating Cash Receipts	<u>41,936</u>	<u>22,473</u>	<u>64,409</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service-Principal	50,646	-	50,646
Debt Service-Interest	56,234	-	56,234
Other Non-Operating Cash Disbursements	-	24,247	24,247
Total Non-Operating Cash Disbursements	<u>106,880</u>	<u>24,247</u>	<u>131,127</u>
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	74,070	(1,774)	72,296
Transfers-In	74,819	-	74,819
Transfers-Out	<u>(74,819)</u>	<u>-</u>	<u>(74,819)</u>
Net Receipts Over (Under) Disbursements	74,070	(1,774)	72,296
Fund Cash Balances, January 1	<u>607,606</u>	<u>2,061</u>	<u>609,667</u>
Fund Cash Balances, December 31	<u>\$ 681,676</u>	<u>\$ 287</u>	<u>\$ 681,963</u>

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

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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. A publicly elected, six-member Council directs the Village. The Village provides water, sewer and refuse utilities, road maintenance and police and fire protection.

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

**B. Basis of Accounting**

These financial statements follow the 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.

Money Market mutual funds are recorded at share values reported by the mutual fund.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash deposits 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, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**  
**(Continued)**

**2. Special Revenue Funds**

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:

*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.

*Bond Retirement Fund* - This fund is used to retire debt issued from the 2001 series B Sewer System Improvement Bond.

*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.

*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.

**4. Fiduciary Fund (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Fund:

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

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(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.

A summary of 2007 and 2006 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.

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash deposit 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:

	2007	2006
Demand deposits	\$779,489	\$661,303
Total deposits	779,489	661,303
Fifth Third U.S. Treasury Money Market Mutual Fund	115,501	109,985
Total Investments	115,501	109,985
Total Deposits and Investments	\$894,990	\$771,288

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments in 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, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 38,775	\$ 28,246	\$ (10,529)
Special Revenue	38,465	34,333	(4,132)
Enterprise	953,244	1,007,819	54,575
Total	\$1,030,484	\$1,070,398	\$ 39,914

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 41,737	\$ 29,579	\$ 12,158
Special Revenue	114,550	21,862	92,688
Enterprise	1,601,479	895,221	706,258
Total	\$ 1,757,766	\$ 946,662	\$ 811,104



**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 48,760	\$ 38,666	\$ (10,094)
Special Revenue	41,640	37,618	(4,022)
Enterprise	1,099,581	953,998	(145,583)
Total	\$1,189,981	\$1,030,282	\$ (159,699)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 58,282	\$ 45,142	\$ 13,140
Special Revenue	106,354	26,247	80,107
Enterprise	1,706,948	879,928	827,020
Total	\$ 1,871,584	\$ 951,317	\$ 920,267

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

**6. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Revenue Bond	\$895,000	5.91%
Total	\$895,000	

The Village's Sewer System Mortgage Revenue Bonds were for the construction of the Village's sewer system. Per the debt covenants the Village transfers funds out of the Sewer Operating Fund to the Bond Retirement Fund to repay these bonds.

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

<u>Year Ending December 31:</u>	<u>Mortgage Revenue Bonds</u>
2008	\$ 72,619
2009	76,519
2010	75,144
2011	73,769
2012	47,394
2013-2017	387,770
2018-2022	346,272
2023-2027	142,500
2028-2031	589,000
Total	\$1,810,987

In addition, during 2006 and 2007 the Village retired the remaining balances of a police cruiser loan and a water purchase loan in amounts of \$7,558 and \$30,646, respectively.

**7. RETIREMENT SYSTEMS**

All Village employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The plan provides retirement benefits, including post-retirement 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 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross wages into the plan. For 2007 and 2006 the Village contributed an amount equal to 13.85% and 13.70%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**8. RISK POOL MEMBERSHIP**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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 coverage 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

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006:

	2007	2006
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	\$20,219,246	\$19,384,290

**VILLAGE OF HAMERSVILLE**  
**BROWN COUNTY, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**  
**(Continued)**

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$15,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2005	\$11,227
2006	\$13,296
2007	\$13,179

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

# Bastin & Company, LLC

*Certified Public Accountants*

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Members of Village Council  
Village of Hamersville  
202 West Main Street  
Hamersville, Ohio 45130

We have audited the financial statements of the Village of Hamersville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 18, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We 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.

### **Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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, grant agreements and other matters, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Village in a separate letter dated July 18, 2008.

This report is intended solely 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 cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
July 18, 2008

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

There were no findings reported in the prior audit report.







**Mary Taylor, CPA**  
Auditor of State

**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 14, 2008**