



Dave Yost • Auditor of State

VILLAGE OF HAMLER
HENRY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Hamler, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note one of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements. Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted 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, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Hamler, Henry County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 4, 2015

**VILLAGE OF HAMLER
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Taxes	\$ 6,908		\$ 6,908
Municipal Income Tax	96,536		96,536
Intergovernmental	51,279	\$ 19,890	71,169
Charges for Services	50		50
Fines, Licenses and Permits	2,480		2,480
Earnings on Investments	2,178	1,587	3,765
Miscellaneous	39,627		39,627
<i>Total Cash Receipts</i>	199,058	21,477	220,536
Cash Disbursements			
Current:			
Security of Persons & Property	45,072	18,675	63,747
Public Health Services	487		487
Leisure Time Activities	1,000		1,000
Basic Utility Services	403		403
Transportation	2,229	36,402	38,631
General Government	105,825		105,825
<i>Total Cash Disbursements</i>	155,016	55,076	210,093
<i>Net Change in Fund Cash Balances</i>	44,042	(33,599)	10,443
<i>Fund Cash Balances, January 1</i>	96,487	109,027	205,514
Fund Cash Balances, December 31			
Restricted		75,428	75,428
Unassigned	140,529		140,529
<i>Fund Cash Balances, December 31</i>	\$ 140,529	\$ 75,428	\$ 215,957

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 292,917
Miscellaneous	5,375
<i>Total Operating Cash Receipts</i>	298,292
Operating Cash Disbursements	
Personal Services	48,024
Fringe Benefits	18,274
Contractual Services	30,213
Supplies and Materials	70,741
<i>Total Operating Cash Disbursements</i>	167,252
<i>Operating Income</i>	131,040
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	8,536
Principal Retirement	(28,021)
Interest and Other Fiscal Charges	(74,970)
<i>Total Non-Operating Receipts (Disbursements)</i>	(94,455)
<i>Net Change in Fund Cash Balances</i>	36,585
<i>Fund Cash Balances, January 1</i>	180,720
<i>Fund Cash Balances, December 31</i>	\$ 217,305

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$ 8,342			\$ 8,342
Municipal Income Tax	87,143			87,143
Intergovernmental	27,768	\$ 19,840		47,607
Charges for Services	13,178			13,178
Fines, Licenses and Permits	2,494			2,494
Earnings on Investments	800	1,597		2,396
Miscellaneous	18,168			18,168
	<u>157,892</u>	<u>21,436</u>		<u>179,328</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	46,392	17,463		63,856
Public Health Services	227			227
Leisure Time Activities	700			700
Basic Utility Services	349			349
Transportation	3,288	4,427		7,716
General Government	85,689			85,689
	<u>136,645</u>	<u>21,891</u>		<u>158,535</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>21,247</u>	<u>(454)</u>		<u>20,793</u>
Other Financing Receipts/(Disbursements):				
Transfers In	337			337
Transfers Out			\$ (337)	(337)
	<u>337</u>		<u>(337)</u>	
Total Other Financing Receipts/(Disbursements)				
Net Change in Fund Cash Balances	21,584	(454)	(337)	20,793
Fund Cash Balance, January 1	<u>74,903</u>	<u>109,481</u>	<u>\$ 337</u>	<u>184,721</u>
Fund Cash Balance, December 31				
Restricted		109,027		109,027
Unassigned	96,487			96,487
Fund Cash Balance, December 31	<u>\$ 96,487</u>	<u>\$ 109,027</u>		<u>\$ 205,514</u>

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 261,132
Miscellaneous	15,026
	276,159
Operating Cash Disbursements:	
Personal Services	47,129
Employee Fringe Benefits	18,121
Contractual Services	34,722
Supplies and Materials	75,445
	175,417
Operating Income	100,742
Non-Operating Receipts/Disbursements	
Earnings on Investments	699
Principal Retirement	(33,063)
Interest and Other Fiscal Charges	(75,990)
	(108,354)
Net Change in Fund Cash Balances	(7,612)
Fund Cash Balances, January 1	188,333
Fund Cash Balances, December 31	\$ 180,720

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village participates in *The Ohio Plan Risk Management Inc.*, a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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 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. Debt Service Fund

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village Debt Service Fund was closed out at the end of 2012.

4. Enterprise Funds

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

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

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

Enterprise Debt Service Reserve Fund - This fund receives charges for services from residents and commercial users to pay incurred for the operation and improvement of the water and sewer systems.

E. Budgetary Process

The Ohio Revised Code requires that each 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 Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

4. 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.

5. 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.

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

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

	2013	2012
Demand deposits	\$271,939	\$228,344
Certificates of deposit	161,323	157,890
Total deposits	\$433,262	\$386,234

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$160,800	\$199,058	\$38,258
Special Revenue		21,477	21,477
Enterprise	289,150	306,828	17,678
Total	\$449,950	\$527,363	\$77,413

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$293,328	\$155,016	\$138,312
Special Revenue	130,504	55,076	75,428
Enterprise	468,416	270,243	198,173
Total	\$892,248	\$480,335	\$411,913

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$136,400	\$158,229	\$21,829
Special Revenue	37,125	21,436	(15,689)
Enterprise	253,520	276,858	23,338
Total	\$427,045	\$456,523	\$29,478

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$230,915	\$136,645	\$94,270
Special Revenue	130,917	21,891	109,026
Enterprise	456,190	284,470	171,720
Total	\$818,022	\$443,006	\$375,016

4. PROPERTY TAX

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
USDA Mortgage Revenue Bonds	\$1,739,000	4.25%
Ohio Public Works Commission Loan CE12F	1,701	0%
Ohio Public Works Commission Loan CE28G	33,000	0%
Ohio Public Works Commission Loan CE18P	38,763	0%
Ohio Public Works Commission Loan CE25Q	104,980	0%
Total	\$1,917,444	

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

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

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

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

The Village entered into a Loan/Grant agreement (control Numbers CE24Q and CE25Q) with the Ohio Public Works Commission for Waterline Replacement Project Phase 1, on July 1, 2013, not to exceed \$236,205. No disbursements were made during the audit period. The future liability has been disclosed in the debt schedule above for the anticipated loan amount of \$104,980. Because no draws were made, the loan has yet to be amortized and is not listed on the debt repayment schedule below.

The Village's taxing authority collateralized the bonds.

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	USDA	OWPC	OWPC Loan	OWPC Loan
	Mortgage Revenue Bonds	Loan CE12F	CE28G	CE18P
2014	\$100,908	\$1,701	\$2,640	\$1,292
2015	100,760		2,640	1,292
2016	99,570		2,640	1,292
2017	99,380		2,640	1,292
2018	100,148		2,640	1,292
2019-2023	503,658		13,200	6,461
2024-2028	502,348		6,600	6,461
2029-2033	501,603			6,461
2034-2038	502,468			6,461
2039-2043	502,585			6,459
2044-2048	200,071			
Total	<u>\$3,213,499</u>	<u>\$1,701</u>	<u>\$33,000</u>	<u>\$38,763</u>

7. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries.

8. RISK MANAGEMENT

Risk Pool Membership

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. RISK MANAGEMENT (Continued)

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, except OPRM retains 41.5% (effective November 1, 2011) 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, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013.

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

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

9. SUBSEQUENT EVENTS

Two disbursements totaling \$102,441, were made by the Ohio Public Works Commission in December 2014 on behalf of the Village for the Waterline Replacement Project Phase 1 (grant agreement CE24Q).



Dave Yost • Auditor of State

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

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

To the Members of 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 Village of Hamler, Henry County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated May 4, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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 opinion 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

May 4, 2015

**VILLAGE OF HAMLER
HENRY COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Material Weakness

Cash Reconciliations

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

Reconciliations for all months during the audit period, contained significant unresolved reconciling items. Other reconciling items ranged from a low of \$(2,550) to a high of \$45,972 with year ending unsubstantiated reconciling items totaling \$12,449 and \$24,709 at the end of 2013 and 2012 respectively.

This resulted in the Auditor of State declaring the Village unauditale on June 13, 2014.

Fiscal Officer contends that there is a permanent understatement of cash balances that occurred prior to 2010 and her tenure as Fiscal Officer.

The Fiscal Officer posted a receipt of \$14,683 as Miscellaneous Operating Revenue to the General Fund on December 31, 2014, in order to reconcile the bank and fund balances.

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

FINDING NUMBER 2013-002

Material Weakness

Monitoring Controls

Effective monitoring of the Village's financial activity by the governing board is necessary. Review of financial data on a regular basis is an important tool to help ensure financial data is accurately accounted for in the Village's accounting ledgers. Council's review should then review year end information to determine whether the data accurately represents the financial activity for the entire year.

**FINDING NUMBER 2013-002
(Continued)**

The lack of monitoring by Council contributed to the failure to detect inaccurate posting of transactions to the financial statements, such as the following:

- Material misclassifications of revenue in 2013. \$29,797 of General Fund intergovernmental revenue was posted as General Fund tax revenue
- In 2012, Utility receipts from the utility billing system did not agree to the UAN System. UAN Enterprise Fund Receipts were overstated by \$7,216.
- In 2013, a General Government Tax Expenditure for \$4,748 was posted as "Other Financing Uses" in the General Fund.
- In 2013, General Fund Tax Settlement Revenue was double booked resulting in an overstatement of \$6,620.
- In 2013, a \$10,000 Miscellaneous Revenue Payment from CSX was posted as Intergovernmental Revenue in the General Fund.
- The notes to the financial statements omitted disclosures for cash, budgetary, local income tax, risk management, and debt.

The financial statements (and where applicable, the accounting records) as well as the footnotes have been adjusted to reflect corrections for the errors noted.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village Council should adopt policies and procedures, including a final review of the financial statements, and notes to the financial statements to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF HAMLER
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code § 5705.41(D), for not properly certifying expenditures.	No	Finding has been partially corrected and is repeated in the management letter.
2011-002	Ohio Rev. Code § 5705.41(B), for expenditures exceeding appropriations.	No	Finding has been partially corrected and is repeated in the management letter.
2011-003	Material weakness to improve monitoring of Financial Activity.	No	Finding has not been corrected and is repeated in this report as Finding 2013-002.
2011-004	Significant deficiency to improve the cash reconciliation process.	No	Finding has not corrected and has been repeated as a material weakness in this report as finding 2013-001.
2011-005	Ohio Rev. Code § 5705.10 for revenue being posted to an improper fund.	Yes	

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Dave Yost • Auditor of State

VILLAGE OF HAMLER

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 21, 2015**