



Certified Public Accountants, A.C.

**VILLAGE OF HAMLER
HENRY COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

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1907 Grand Central Ave.
Vienna, WV 26105
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OHIO AUDITOR OF STATE KEITH FABER



Village Council
Village of Hamler
500 Hubbard Street
Hamler, Ohio 43524

We have reviewed the *Independent Auditor's Report* of the Village of Hamler, Henry County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. 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.

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 Hamler is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 26, 2019

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VILLAGE OF HAMLER
HENRY COUNTY

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INDEPENDENT AUDITOR'S REPORT

November 21, 2018

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Village of Hamler**, Henry County, (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Hamler, Henry County as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF HAMLER
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 7,869	\$ -	\$ 7,869
Municipal Income Tax	104,040	-	104,040
Intergovernmental	21,411	27,461	48,872
Charges for Services	2,101	-	2,101
Fines, Licenses and Permits	2,746	-	2,746
Earnings on Investments	2,618	1,495	4,113
Miscellaneous	105,327	-	105,327
<i>Total Cash Receipts</i>	<u>246,112</u>	<u>28,956</u>	<u>275,068</u>
Cash Disbursements			
Current:			
Security of Persons and Property	39,166	14,328	53,494
Public Health Services	84	-	84
Leisure Time Activities	1,717	-	1,717
Community Environment	129	-	129
Basic Utility Services	433	-	433
Transportation	2,176	10,390	12,566
General Government	65,493	-	65,493
Capital Outlay	21,484	-	21,484
<i>Total Cash Disbursements</i>	<u>130,682</u>	<u>24,718</u>	<u>155,400</u>
<i>Net Change in Fund Cash Balances</i>	115,430	4,238	119,668
<i>Fund Cash Balances, January 1</i>	<u>293,938</u>	<u>75,604</u>	<u>369,542</u>
Fund Cash Balances, December 31			
Restricted	-	79,842	79,842
Unassigned	409,368	-	409,368
<i>Fund Cash Balances, December 31</i>	<u>\$ 409,368</u>	<u>\$ 79,842</u>	<u>\$ 489,210</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 (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 349,862
Miscellaneous	4,935
	<u>354,797</u>
Operating Cash Disbursements	
Personal Services	44,454
Travel Transportation	14,962
Contractual Services	25,968
Supplies and Materials	73,395
Other	1,532
	<u>160,311</u>
<i>Total Operating Cash Disbursements</i>	<u>160,311</u>
<i>Operating Income</i>	<u>194,486</u>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	400
Capital Outlay	(400)
Principal Retirement	(35,104)
Interest and Other Fiscal Charges	(70,380)
	<u>(105,484)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(105,484)</u>
<i>Net Change in Fund Cash Balances</i>	89,002
<i>Fund Cash Balances, January 1</i>	<u>304,784</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 393,786</u>

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 - Reporting Entity

The Village of Hamler, Henry County, (the Village) as a body politic and corporate established to exercise rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and police services through a police contract with the Village of Deshler. The Village contracts with Marion Township Fire Department on an 80%/20% contract to receive fire protection services. The Village appropriates General Fund money to support a volunteer fire department.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

Water Fund – The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund – The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

VILLAGE OF HAMLER
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Enterprise Funds (Continued)

Enterprise Debt Service Fund – The utility improvement fund accounts for loan proceeds from the Ohio Water Development Authority restricted to the utility plant expansion. A utility surcharge recorded in this fund will repay the loan.

Basis of Accounting

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

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

VILLAGE OF HAMLER
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

- Contrary to Ohio Revised Code Section 5705.10, the Village posted certain revenues to improper funds.
- Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources in the Permissive Motor Vehicle License Fund by \$6,353.
- Contrary to Ohio Revised Code Section 5705.41(D), the Village did not always obtain prior certification of available funds prior to incurring the expenditure.

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 4 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 187,594	\$ 246,112	\$ 58,518
Special Revenue	18,500	28,956	10,456
Enterprise	346,289	355,197	8,908
Total	\$ 552,383	\$ 630,265	\$ 77,882

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 130,300	\$ 130,682	\$ (382)
Special Revenue	65,165	24,718	40,447
Enterprise	329,815	266,195	63,620
Total	\$ 525,280	\$ 421,595	\$ 103,685

Note 5 – Deposits

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

	2017
Demand Deposits	\$ 707,649
Certificates of Deposit	175,347
Total Deposits	\$ 882,996

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

Note 6 – Taxes

Property Taxes

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

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
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)

Note 6 – Taxes (Continued)

Income Taxes

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

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

Note 7 - Risk Management

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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

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

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

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

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Social Security

Other Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits.

Note 10 - Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Mortgage Revenue Bonds	\$ 1,627,000	4.25%
Ohio Public Works Commission Loan CE28G	22,440	0.00%
Ohio Public Works Commission Loan CE18P	33,595	0.00%
Ohio Public Works Commission Loan CE25Q	71,574	0.00%
Ohio Water Development Authority Loan 7528	(2,460)	2.80%
Total	<u>\$ 1,752,149</u>	

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. Payments are made from the Enterprise Debt Service Fund.

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 10 – Debt (Continued)

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

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

The Ohio Water Development Authority Loan 7528 relates to Water Treatment Plant Improvements. Disbursements totaling \$400 were made during the audit period. The Village was invoiced for repayment by the Ohio Water Development Authority an amount greater than the amount owed. The loan has not been finalized; therefore an amortization schedule is unavailable.

Amortization of the Village's debt principal and interest is scheduled as follows:

Year ending December 31:	USDA Mortgage Revenue Bonds	OPWC Loan CE28G	OPWC Loan CE18P	OPWC Loan CE25Q
2018	\$ 100,148	\$ 2,640	\$ 1,292	\$ 2,556
2019	99,830	2,640	1,292	2,556
2020	101,470	2,640	1,292	2,556
2021	99,982	2,640	1,292	2,556
2022	101,495	2,640	1,292	2,556
2023-2027	502,272	9,240	6,460	12,780
2028-2032	502,610	-	6,460	12,780
2033-2037	501,057	-	6,460	12,780
2038-2042	503,287	-	6,460	12,780
2043-2045	300,842	-	1,295	7,674
Total	<u>\$ 2,812,993</u>	<u>\$ 22,440</u>	<u>\$ 33,595</u>	<u>\$ 71,574</u>

Note 11 – Related Party Transactions

A Village BPA member is owner of a plumbing and heating business, Comfort Solutions, which the Village contracted with during the year with total payments of \$540 during fiscal year 2017.

Note 12 – Subsequent Events

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

The Village was awarded a \$32,500 grant in January 2018 through OPWC for water system upgrades.

**VILLAGE OF HAMLER
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 6,453	\$ -	\$ 6,453
Municipal Income Tax	103,647	-	103,647
Intergovernmental	30,352	28,240	58,592
Charges for Services	4,945	-	4,945
Fines, Licenses and Permits	2,777	-	2,777
Earnings on Investments	2,530	1,538	4,068
Miscellaneous	20,802	-	20,802
<i>Total Cash Receipts</i>	<u>171,506</u>	<u>29,778</u>	<u>201,284</u>
Cash Disbursements			
Current:			
Security of Persons and Property	45,394	18,190	63,584
Basic Utility Services	500	-	500
Transportation	1,138	12,788	13,926
General Government	75,529	-	75,529
<i>Total Cash Disbursements</i>	<u>122,561</u>	<u>30,978</u>	<u>153,539</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>48,945</u>	<u>(1,200)</u>	<u>47,745</u>
Other Financing (Disbursements)			
Other Financing Uses	(1,544)	-	(1,544)
<i>Total Other Financing (Disbursements)</i>	<u>(1,544)</u>	<u>-</u>	<u>(1,544)</u>
<i>Net Change in Fund Cash Balances</i>	47,401	(1,200)	46,201
<i>Fund Cash Balances, January 1</i>	<u>246,537</u>	<u>76,804</u>	<u>323,341</u>
Fund Cash Balances, December 31			
Restricted	-	75,604	75,604
Unassigned	293,938	-	293,938
<i>Fund Cash Balances, December 31</i>	<u>\$ 293,938</u>	<u>\$ 75,604</u>	<u>\$ 369,542</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 (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 340,740
<i>Total Operating Cash Receipts</i>	340,740
Operating Cash Disbursements	
Personal Services	43,309
Travel Transportation	15,679
Contractual Services	31,069
Supplies and Materials	83,815
<i>Total Operating Cash Disbursements</i>	173,872
<i>Operating Income</i>	166,868
Non-Operating (Disbursements)	
Principal Retirement	(34,488)
Interest and Other Fiscal Charges	(71,570)
<i>Total Non-Operating (Disbursements)</i>	(106,058)
<i>Net Change in Fund Cash Balances</i>	60,810
<i>Fund Cash Balances, January 1</i>	243,974
<i>Fund Cash Balances, December 31</i>	\$ 304,784

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 - Reporting Entity

The Village of Hamler, Henry County, (the Village) as a body politic and corporate established to exercise rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and police services through a police contract with the Village of Deshler. The Village contracts with Marion Township Fire Department on an 80%/20% contract to receive fire protection services. The Village appropriates General Fund money to support a volunteer fire department.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

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

Water Fund – The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

VILLAGE OF HAMLER
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Enterprise Funds (Continued)

Sewer Fund – The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Enterprise Debt Service Fund – The utility improvement fund accounts for loan proceeds from the Ohio Water Development Authority restricted to the utility plant expansion. A utility surcharge recorded in this fund will repay the loans.

Basis of Accounting

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

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

VILLAGE OF HAMLER
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

- Contrary to Ohio Revised Code Section 5705.10, the Village posted certain revenues to improper funds.
- Contrary to Ohio Revised Code Section 5705.41(D), the Village did not always obtain prior certification of available funds prior to incurring the expenditure.

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016
(Continued)**

Note 4 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 151,181	\$ 171,506	\$ 20,325
Special Revenue	18,500	29,778	11,278
Enterprise	323,000	340,740	17,740
Total	\$ 492,681	\$ 542,024	\$ 49,343

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 131,928	\$ 124,105	\$ 7,823
Special Revenue	65,305	30,978	34,327
Enterprise	333,677	279,930	53,747
Total	\$ 530,910	\$ 435,013	\$ 95,897

Note 5 – Deposits

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

	2016
Demand Deposits	\$ 502,703
Certificates of Deposit	171,623
Total Deposits	\$ 674,326

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

Note 6 – Taxes

Property Taxes

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

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
FOR THE YEARS ENDED DECEMBER 31, 2016
(Continued)

Note 6 – Taxes (Continued)

Income Taxes

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

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

Note 7 - Risk Management

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

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

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016
(Continued)**

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security

Other Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

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

Note 10 - Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Mortgage Revenue Bonds	\$ 1,656,000	4.25%
Ohio Public Works Commission Loan CE28G	23,760	0.00%
Ohio Public Works Commission Loan CE18P	34,241	0.00%
Ohio Public Works Commission Loan CE25Q	<u>72,852</u>	0.00%
Total	<u>\$ 1,786,853</u>	

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. Payments are made from the Enterprise Debt Service Fund. The prior audit improperly disclosed the outstanding balance. The correct outstanding balance as of December 31, 2015 was \$1,684,000.

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016
(Continued)**

Note 10 – Debt (Continued)

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

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

Amortization of the Village's debt principal and interest is scheduled as follows:

Year ending December 31:	USDA	OPWC	OPWC	OPWC Loan
	Mortgage Revenue Bonds	Loan CE28G	Loan CE18P	CE25Q
2017	\$ 99,380	\$ 2,640	\$ 1,292	\$ 2,556
2018	100,148	2,640	1,292	2,556
2019	99,830	2,640	1,292	2,556
2020	101,470	2,640	1,292	2,556
2021	99,982	2,640	1,292	2,556
2022-2026	502,857	10,560	6,460	12,780
2027-2031	503,192	-	6,460	12,780
2032-2036	500,977	-	6,460	12,780
2037-2041	503,310	-	6,460	12,780
2042-2045	401,227	-	1,941	8,952
Total	<u>\$ 2,912,373</u>	<u>\$ 23,760</u>	<u>\$ 34,241</u>	<u>\$ 72,852</u>

Note 11 – Subsequent Events

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

The Village was awarded a \$32,500 grant in January 2018 through OPWC for the installation of electronic meter reading equipment and related software.



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

November 21, 2018

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the **Village of Hamler**, Henry County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 21, 2018, 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 and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2017-001 through 2017-005 described in the accompanying schedule of audit findings to be material weaknesses.

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Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-006 described in the accompanying schedule of audit findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2017-002 through 2017-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 21, 2018.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF HAMLER
HENRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the readers of the financial statements is accurate. Errors in the annual financial report were noted, resulting in the following adjustments, reclassifications and modifications:

- Debt proceeds and corresponding capital outlay expense was not posted to the accounting system in 2017;
- Gas Excise, State and Local Highway and Motor Vehicle License Auto Tax receipts received from the State of Ohio and Henry County were not always allocated to the correct funds during 2017 and 2016;
- Permissive Motor Vehicle License Tax receipts were not posted to the correct fund during 2017 and 2016;
- Utility deposits were improperly recorded to the Water Operating Fund instead of the Utility Deposit fund in 2017 and 2016;
- January 2017 income tax receipts were improperly classified as Intergovernmental receipts within the General Fund;
- May 2017 income tax receipts were improperly posted to the Enterprise Debt Service Fund instead of the General Fund;
- The purchase of a truck was improperly classified as Other Financing Uses instead of Capital Outlay in the General Fund in 2017;
- December 2017 utility receipts were not posted to the accounting system;
- Prior audit adjustments were not posted correctly;
- Significant delays in posting of receipts and disbursements to the accounting system were noted, including some receipts and disbursements clearing the bank account, however not posted to the accounting system;
- Budgetary footnote was not accurate for 2017 and 2016;
- Deposit footnote was not accurate for 2017 and 2016;
- Debt footnote (outstanding balance and amortization schedule) was not accurate for 2017 and 2016;
- Various other footnote disclosures were not accurate and modifications were made to disclose accurate information.

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

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

VILLAGE OF HAMLER
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001 (Continued)

Material Weakness (Continued)

Financial Reporting (Continued)

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

We also recommend the Fiscal Officer refer the Ohio Village Handbook or other Auditor of State resources for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2017-002

Material Weakness/Noncompliance

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

The following errors were noted in 2017:

- State and local highway monies totaling \$7,285 were incorrectly posted to the General Fund instead of to the Street Construction, Maintenance, and Repair Fund in the amount of \$6,738, and the State Highway Fund in the amount of \$546.
- Permissive Motor Vehicle License Tax monies were incorrectly posted, in part, to the Street Construction, Maintenance and Repair Fund totaling \$1,433;
- County Auto Registration monies totaling \$265 were incorrectly posted to the Permissive Motor Vehicle License Tax Fund and \$277 were incorrectly posted to the Street Construction, Maintenance and Repair Fund instead of the State Highway Fund.
- Utility deposits, totaling \$1,350, were incorrectly posted to the Water Operating Fund instead of to the Enterprise Deposit Fund.

The following errors were noted in 2016:

- State and local highway monies totaling \$7,492 were incorrectly posted to the General Fund instead of to the Street Construction, Maintenance, and Repair Fund in the amount of \$6,930, and the State Highway Fund in the amount of \$562.
- Permissive Motor Vehicle License Tax monies were incorrectly posted, in part, to the Street Construction, Maintenance and Repair Fund totaling \$1,327 and State Highway Fund totaling \$18.
- County Auto Registration monies totaling \$430 were incorrectly posted to the Permissive Motor Vehicle License Tax Fund instead of the State Highway Fund.
- Utility deposits, totaling \$1,500, were incorrectly posted to the Water Operating Fund instead of to the Enterprise Deposit Fund.

VILLAGE OF HAMLER
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-002 (Continued)

Material Weakness/Noncompliance (Continued)

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

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

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

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2017-003

Material Weakness/Noncompliance

Ohio Revised Code 5705.39 states total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure, as certified by the budget commission.

In 2017, appropriations exceeded estimated resources in the Permissive Motor Vehicle License Tax Fund by \$6,353.

We recommend the Village compare appropriations to estimated resources to verify appropriations do not exceed estimated resources.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2017-004

Material Weakness/Noncompliance

Ohio Revised 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 a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

VILLAGE OF HAMLER
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-004 (Continued)

Material Weakness/Noncompliance (Continued)

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

94% in 2017 and 78% in 2016 of the transactions tested did not have a purchase order dated prior to the obligation date. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Village Council. Council should establish a limit for the blanket certificates by resolution.

In order to improve controls over disbursements, we recommend all Village disbursements receive prior certification from the fiscal officer, that blanket certificates be opened for regularly occurring expenses, and "Then and Now" certificates are used accordingly.

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF HAMLER
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-005

Material Weakness

Bank Reconciliations

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

Reconciliations throughout 2017 and 2016 contained significant unresolved reconciling items. We noted an audit adjustment posted in March of 2017 as a result of a reconciliation issue noted during the prior audit, reconciled fund balances at December 31, 2015. We noted unsupported other adjusting factors during 2017 and 2016 and unsupported fund balance adjustments posted in 2017 as an attempt to correct reconciliation errors. The reconciling items noted during 2017 and 2016 were due to the double booking of property tax and intergovernmental revenue receipts, as well as payments that cleared the Village's bank account in amounts that either won't posted to the Village's books, or in different amounts from those recorded.

The Village contracted with an independent accountant to assist with the reconciliation issues, and as a result, audit adjustments were posted to the financial statements to reconcile the books and bank.

We also noted the Village has a general checking account that is utilized for day to day transactions of the Village, with the exception of utility receipts. A separate bank account is established for the sole purpose of collecting utility receipts. At month end, the Utility Superintendent presents the Fiscal Officer with the total utility receipts collected for the month for the Fiscal Officer to post the receipts into the accounting system and transfer the utility receipts to the general checking account. The Village did not post the utility receipts collected in December 2017 to the accounting system and did not perform the transfer from the utility bank account to the general checking account until January 2018. The Village does not include the utility bank account in the monthly reconciliation. An audit adjustment was posted to properly include utility receipts collected in December 2017.

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. If other adjusting factors are present, supporting documentation should be maintained for these differences. The Fiscal Officer should also timely transfer monies from the utility bank account to the general checking account and include the utility bank account in the monthly bank reconciliation.

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

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF HAMLER
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-006

Significant Deficiency

Tracking of Business Withholdings

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

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

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

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF HAMLER
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Financial Reporting	Not Corrected	Repeated as Finding 2017-001
2015-002	Utility Billing System	Corrected	N/A
2015-003	Ohio Rev. Code Section 5705.41(B)	Partially Corrected	Moved to Management Letter
2015-004	Ohio Rev. Code Section 5705.10(l)	Not Corrected	Repeated as Finding 2017-002
2015-005	Cash Reconciliations	Not Corrected	Repeated as Finding 2017-005
2015-006	Lack of Supporting Documentation	Corrected	N/A
2015-007	Tracking of Business Withholdings	Not Corrected	Repeated as Finding 2017-006

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OHIO AUDITOR OF STATE
KEITH FABER



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
MARCH 12, 2019**