



**VILLAGE OF HAMLER
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF HAMLER
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Hamler, Henry County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 28, 2000

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**VILLAGE OF HAMLER
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$92,427			\$92,427
Intergovernmental Receipts	43,314	\$34,074		77,388
Fines, Licenses, and Permits	809			809
Miscellaneous	13,587			13,587
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	150,137	34,074		184,211
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	22,888			22,888
Public Health Services	7,569			7,569
Leisure Time Activities	108			108
Basic Utility Services	1,781			1,781
Transportation	23,519	19,316		42,835
General Government	48,161			48,161
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	104,026	19,316		123,342
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	46,111	14,758		60,869
Fund Cash Balances, January 1	107,814	27,720	\$337	135,871
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$153,925	\$42,478	\$337	\$196,740
	<hr/>	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$22,513			\$22,513
	<hr/>	<hr/>	<hr/>	<hr/>

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

**VILLAGE OF HAMLER
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGE IN FUND CASH BALANCE - ENTERPRISE FUND
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$144,908
Operating Cash Disbursements:	
Personal Services	34,218
Travel Transportation	4,177
Contractual Services	19,531
Supplies and Materials	32,851
Capital Outlay	10,175
Total Operating Cash Disbursements	100,952
Operating Income	43,956
Fund Cash Balances, January 1	149,251
Fund Cash Balances, December 31	\$193,207
Reserve for Encumbrances, December 31	

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

**VILLAGE OF HAMLER
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$89,817			\$89,817
Intergovernmental Receipts	27,086	\$20,679		47,765
Fines, Licenses, and Permits	870			870
Miscellaneous	19,950			19,950
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	137,723	20,679		158,402
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	28,122			28,122
Public Health Services	6,000			6,000
Leisure Time Activities	101			101
Basic Utility Services	221			221
Transportation	14,788	15,316		30,104
General Government	41,627			41,627
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	90,859	15,316		106,175
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	46,864	5,363		52,227
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	60,950	22,357	\$337	83,644
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$107,814	\$27,720	\$337	\$135,871
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31				

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

**VILLAGE OF HAMLER
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGE IN FUND CASH BALANCE - ENTERPRISE FUND
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$143,032
Operating Cash Disbursements:	
Personal Services	34,466
Travel Transportation	4,013
Contractual Services	14,543
Supplies and Materials	34,218
Total Operating Cash Disbursements	87,240
Operating Income	55,792
Fund Cash Balances, January 1	93,459
Fund Cash Balances, December 31	\$149,251
Reserve for Encumbrances, December 31	

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

**VILLAGE OF HAMLER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Hamler, Henry County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

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

B. Basis of Accounting

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

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

C. Cash

Certificates of deposit are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

VILLAGE OF HAMLER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness.

4. Enterprise Funds

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

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village does not use the encumbrance method of accounting. There was a material unrecorded commitment for 1999. This is reflected as a reserve for encumbrance in the General Fund financial statements. Also, the Village does not certify commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

VILLAGE OF HAMLER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

G. Unpaid Vacation

Employees are entitled to cash payments for unused vacation in certain circumstances, such as upon leaving employment. Unpaid vacation is not reflected as a liability under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$359,947	\$255,122
Certificates of deposit	30,000	30,000
	<u>\$389,947</u>	<u>\$285,122</u>
Total deposits		

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

At December 31, 1999, \$67,996 of deposits were not insured or collateralized, contrary to Chapter 135, Ohio Revised Code.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$155,000	\$150,137	(\$4,863)
Special Revenue	30,700	34,074	3,374
Enterprise	141,000	144,908	3,908
Total	<u>\$326,700</u>	<u>\$329,119</u>	<u>\$2,419</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$262,774	\$126,539	\$136,235
Special Revenue	58,420	19,316	39,104
Enterprise	290,252	100,952	189,300
Total	<u>\$611,446</u>	<u>\$246,807</u>	<u>\$364,639</u>

VILLAGE OF HAMLER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$155,000	\$137,723	(\$17,277)
Special Revenue	18,700	20,679	1,979
Enterprise	141,000	143,032	2,032
Total	<u>\$314,700</u>	<u>\$301,434</u>	<u>(\$13,266)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$216,288	\$90,859	\$125,429
Special Revenue	41,056	15,316	25,740
Enterprise	234,458	87,240	147,218
Total	<u>\$491,802</u>	<u>\$193,415</u>	<u>\$298,387</u>

4. PROPERTY TAX

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

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

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

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

5. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998 members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

VILLAGE OF HAMLER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

6. JOINTLY GOVERNED FIRE DEPARTMENT

The Village of Hamler along with Marion Township jointly governs the local fire department. Marion Township is the owner of the fire station and the equipment is jointly governed. The contract between the Village of Hamler and Marion Township states the Village will care for, man and maintain fire equipment and pay 20% of the cost of operation. The Township of Marion will pay 80% of the cost of operation the equipment. The equipment will be used in the Township of Marion and the Village of Hamler.

7. RISK MANAGEMENT

The Village is a member of the Ohio Government Risk Management Plan (the Plan). The Plan assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- Property
- Liability
- Wrongful Acts
- Law Enforcement
- Automobile
- Inland Marine
- EDP

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Hamler, Henry County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 28, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30135-001, 1999-30135-002 and 1999-30135-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 28, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 28, 2000.

Village of Hamler
Henry County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 28, 2000

**VILLAGE OF HAMLER
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30135-001

Noncompliance Citation

Ohio Revised Code § 135.18 requires that a treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities. The Village did not maintain adequate collateral for their deposits during 1999. Collateral provides insurance for funds on deposit with the financial institution.

We recommend the Village periodically review the amount of collateral held to secure its public deposits and request the financial institution to provide additional collateral, per the terms of the depository agreement, when necessary.

FINDING NUMBER 1999-30135-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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.

The Village Clerk did not certify that money was available or appropriated for expenditures in the audit period.

This procedure is not only required by Ohio law, but it is also a key control in the disbursement process. This control ensures those purchase commitments receive prior approval which helps to reduce the possibility of funds being over expended. To improve controls over disbursements, it is recommended that the Clerk certify all disbursements and that Council periodically review the expenditures to ensure that they are properly certified by the Clerk and are recorded against appropriations. Issuance of a "then and now" certificate can be made in instances where prior certification is not practical.

FINDING NUMBER 1999-30135-003

Noncompliance Citation

Ohio Administrative Code § 117-5-11 (C) states each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance. This procedure is to be initiated by an executed purchase order. The fiscal officer did not issue purchase orders and did not encumber against appropriations. We recommend that the Village implement the purchase order system with the Clerk's certification. The purchase orders should be posted to the appropriation ledger resulting in a declining appropriation balance. In addition, the purchase orders should be approved and signed by an official designated by Council (i.e., Mayor).



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OFFICE OF THE AUDITOR

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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
AUGUST 1, 2000**