

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**





# Dave Yost • Auditor of State

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

We have reviewed the Independent Auditors' Report of the Village of Hamersville, Brown County, prepared by Bastin & Company, LLC, for the audit period January 1, 2010 to December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 27, 2012

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**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO**

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# Bastin & Company, LLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

To the Members of Village Council  
Village of Hamersville, Brown County, Ohio

We have audited the accompanying financial statements of the Village of Hamersville, Brown County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2012, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

Cincinnati, Ohio  
August 14, 2012



**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 3,999	\$ 11,533	\$ 15,532
Intergovernmental Receipts	9,920	17,796	27,716
Licenses, Permits, and Fees	16,220	-	16,220
Earnings on Investments	778	40	818
Miscellaneous	15,466	1,868	17,334
	<u>46,383</u>	<u>31,237</u>	<u>77,620</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	14,245	7,271	21,516
Public Health Services	1,184	-	1,184
Transportation	-	18,077	18,077
General Government	17,813	-	17,813
	<u>33,242</u>	<u>25,348</u>	<u>58,590</u>
Receipts Over (Under) Disbursements	13,141	5,889	19,030
Fund Cash Balances, January 1	<u>11,603</u>	<u>93,879</u>	<u>105,482</u>
Fund Cash Balances, December 31			
Restricted	8,772	99,768	108,540
Unassigned	15,972	-	15,972
	<u>24,744</u>	<u>99,768</u>	<u>124,512</u>
Fund Cash Balances, December 31	<u>\$ 24,744</u>	<u>\$ 99,768</u>	<u>\$ 124,512</u>

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

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 925,828	\$ -	\$ 925,828
Total Operating Cash Receipts	<u>925,828</u>	<u>-</u>	<u>925,828</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	75,450	-	75,450
Fringe Benefits	19,006	-	19,006
Contractual Services	538,972	-	538,972
Supplies and Materials	108,480	-	108,480
Total Operating Cash Disbursements	<u>741,908</u>	<u>-</u>	<u>741,908</u>
Operating Income	<u>183,920</u>	<u>-</u>	<u>183,920</u>
<b>Non-Operating Cash Receipts:</b>			
Special Assessments	34,001	-	34,001
Other Non-Operating Receipts	-	18,286	18,286
Total Non-Operating Cash Receipts	<u>34,001</u>	<u>18,286</u>	<u>52,287</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service - Principal	25,000	-	25,000
Debt Service - Interest	48,769	-	48,769
Other Non-Operating Disbursements	-	18,904	18,904
Total Non-Operating Cash Disbursements	<u>73,769</u>	<u>18,904</u>	<u>92,673</u>
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	144,152	(618)	143,534
Transfers-In	73,769	-	73,769
Transfers-Out	<u>(73,769)</u>	<u>-</u>	<u>(73,769)</u>
Net Receipts Over (Under) Disbursements	144,152	(618)	143,534
Fund Cash Balances, January 1	<u>921,421</u>	<u>1,847</u>	<u>923,268</u>
Fund Cash Balances, December 31	<u>\$ 1,065,573</u>	<u>\$ 1,229</u>	<u>\$ 1,066,802</u>

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

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 4,204	\$ 12,315	\$ 16,519
Intergovernmental Receipts	8,201	20,546	28,747
Licenses, Permits, and Fees	15,319	-	15,319
Earnings on Investments	2,147	119	2,266
Miscellaneous	2,339	1,020	3,359
	<u>32,210</u>	<u>34,000</u>	<u>66,210</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	18,728	7,432	26,160
Public Health Services	1,586	-	1,586
Transportation	-	18,805	18,805
General Government	20,168	-	20,168
	<u>40,482</u>	<u>26,237</u>	<u>66,719</u>
Receipts Over (Under) Disbursements	(8,272)	7,763	(509)
Fund Cash Balances, January 1	<u>19,875</u>	<u>86,116</u>	<u>105,991</u>
Fund Cash Balances, December 31	<u>\$ 11,603</u>	<u>\$ 93,879</u>	<u>\$ 105,482</u>

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

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 938,580	\$ -	\$ 938,580
Total Operating Cash Receipts	<u>938,580</u>	<u>-</u>	<u>938,580</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	76,142	-	76,142
Fringe Benefits	21,516	-	21,516
Contractual Services	729,079	-	729,079
Supplies and Materials	77,306	-	77,306
Total Operating Cash Disbursements	<u>904,043</u>	<u>-</u>	<u>904,043</u>
Operating Income	<u>34,537</u>	<u>-</u>	<u>34,537</u>
<b>Non-Operating Cash Receipts:</b>			
Special Assessments	36,908	-	36,908
Other Non-Operating Receipts	-	18,296	18,296
Total Non-Operating Cash Receipts	<u>36,908</u>	<u>18,296</u>	<u>55,204</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service - Principal	25,000	-	25,000
Debt Service - Interest	50,144	-	50,144
Other Non-Operating Disbursements	-	17,934	17,934
Total Non-Operating Cash Disbursements	<u>75,144</u>	<u>17,934</u>	<u>93,078</u>
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	(3,699)	362	(3,337)
Transfers-In	75,144	-	75,144
Transfers-Out	(75,144)	-	(75,144)
Net Receipts Over (Under) Disbursements	(3,699)	362	(3,337)
Fund Cash Balances, January 1	<u>925,120</u>	<u>1,485</u>	<u>926,605</u>
Fund Cash Balances, December 31	<u>\$ 921,421</u>	<u>\$ 1,847</u>	<u>\$ 923,268</u>
Reserve for Encumbrances, December 31	<u>\$ 135,000</u>	<u>\$ -</u>	<u>\$ 135,000</u>

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

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Hamersville, Brown County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, electric, refuse, road maintenance and police protection services.

The Village participates in the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). 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.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

Money market mutual funds are recorded at share values the mutual funds report.

**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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**2. Special Revenue Funds**

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

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

**3. Enterprise Funds**

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

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

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

*Garbage Operating Fund* - This fund receives charges for services from residents to cover garbage service costs.

*Electric Operating Fund* - This fund receives charges for services from residents to cover electric service costs.

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following Fiduciary Fund:

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

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

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

**2. Restricted**

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

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant and Equipment**

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

**H. Accumulated Leave**

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



**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

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

	2011	2010
Demand deposits	\$1,070,442	\$907,878
Total deposits	1,070,442	907,878
Money Market Mutual Fund	120,872	120,872
Total investments	120,872	120,872
Total deposits and investments	\$1,191,314	\$1,028,750

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

**Investments:** Investments in money market funds are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$ 38,325	\$ 46,383	\$ 8,058
Special Revenue	30,117	31,237	1,120
Enterprise	1,025,019	1,033,598	8,579
Total	\$ 1,093,461	\$ 1,111,218	\$ 17,757

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$ 36,172	\$ 33,242	\$ 2,930
Special Revenue	123,059	25,348	97,711
Enterprise	1,692,621	889,446	803,175
Total	\$ 1,851,852	\$ 948,036	\$ 903,816

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 38,110	\$ 32,210	\$ (5,900)
Special Revenue	33,362	34,000	638
Enterprise	1,015,244	1,050,632	35,388
Total	\$ 1,086,716	\$ 1,116,842	\$ 30,126

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 49,129	\$ 40,482	\$ 8,647
Special Revenue	117,744	26,237	91,507
Enterprise	1,686,551	1,189,331	497,220
Total	\$ 1,853,424	\$ 1,256,050	\$ 597,374

**4. PROPERTY TAX**

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

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

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. DEBT**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Revenue Bond	<u>\$800,000</u>	5.5 - 6.0%
Total	<u>\$800,000</u>	

During 2001, the Village issued Sewer System Mortgage Revenue Bonds in the amount of \$1,000,000. Proceeds from the bonds were used to refund previously issued temporary bonds that funded the construction of the Village's sewer system. The Bonds carry an interest rate of 5.5 to 6.0 percent. The Bonds mature in varying amounts through December 31, 2031.

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

Year Ending December 31:	Mortgage Revenue Bonds
2012	\$47,394
2013	47,394
2014	47,394
2015	47,394
2016	207,394
2017-2021	355,968
2022-2026	142,500
2027-2031	617,500
Total	\$1,512,938

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.

**7. RISK POOL MEMBERSHIP**

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**VILLAGE OF HAMERSVILLE  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$34,952,010	\$36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	\$20,631,198	\$21,118,036

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Government's share of these unpaid claims collectible in future years is approximately \$12,000.

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

Contributions to PEP	
2010	\$12,711
2011	13,109

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

# Bastin & Company, LLC

*Certified Public Accountants*

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

To the Members of Village Council  
Village of Hamersville, Brown County, Ohio

We have audited the financial statements of the Village of Hamersville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 14, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2011, we noted the Village implemented Governmental Accounting Standard Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Village in a separate letter dated August 14, 2012.

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

*Bastin & Company, LLC*

Cincinnati, Ohio  
August 14, 2012

**VILLAGE OF HAMERSVILLE  
BROWN COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Status Explanation</b>
2009-01	ORC section 5705.39 appropriations in excess of estimated resources.	Yes	Condition did not exist during current audit.
2009-02	ORC section 5705.36(A), appropriations in excess of actual resources.	No	Non-material items have been reported in a letter to management.

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# Dave Yost • Auditor of State

VILLAGE OF HAMERSVILLE

BROWN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 11, 2012