



Dave Yost • Auditor of State



VILLAGE OF HAMDEN  
VINTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Hamden  
Vinton County  
P.O. Box 355  
Hamden, Ohio 45634

To the Village Council:

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 10, 2014

**VILLAGE OF HAMDEN  
VINTON COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$26,755	\$37,457		\$64,212
Intergovernmental	62,800	78,564		141,364
Charges for Services	11,385			11,385
Fines, Licenses and Permits	6,667			6,667
Earnings on Investments	963	138		1,101
Miscellaneous	3,898	112		4,010
<i>Total Cash Receipts</i>	<u>112,468</u>	<u>116,271</u>	<u>\$0</u>	<u>228,739</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	44,804	53,378		98,182
Public Health Services	168			168
Leisure Time Activities		598		598
Transportation		32,444		32,444
General Government	51,811			51,811
Capital Outlay	29,378		10	29,388
<i>Total Cash Disbursements</i>	<u>126,161</u>	<u>86,420</u>	<u>10</u>	<u>212,591</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(13,693)</u>	<u>29,851</u>	<u>(10)</u>	<u>16,148</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	3,500			3,500
Transfers In		1,742		1,742
Transfers Out		(5,218)		(5,218)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>3,500</u>	<u>(3,476)</u>	<u>0</u>	<u>24</u>
<i>Net Change in Fund Cash Balances</i>	<u>(10,193)</u>	<u>26,375</u>	<u>(10)</u>	<u>16,172</u>
<i>Fund Cash Balances, January 1</i>	<u>166,533</u>	<u>61,615</u>	<u>93,928</u>	<u>322,076</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		87,154	93,918	181,072
Committed		836		836
Assigned	45,388			45,388
Unassigned (Deficit)	110,952			110,952
<i>Fund Cash Balances, December 31</i>	<u>\$156,340</u>	<u>\$87,990</u>	<u>\$93,918</u>	<u>\$338,248</u>

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

**VILLAGE OF HAMDEN  
VINTON COUNTY**

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

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$422,790		\$422,790
Fines, Licenses and Permits		\$9,701	9,701
<i>Total Operating Cash Receipts</i>	<u>422,790</u>	<u>9,701</u>	<u>432,491</u>
<b>Operating Cash Disbursements</b>			
Personal Services	40,969		40,969
Employee Fringe Benefits	6,616		6,616
Contractual Services	171,277		171,277
Supplies and Materials	21,585		21,585
Other	2,525	9,161	11,686
<i>Total Operating Cash Disbursements</i>	<u>242,972</u>	<u>9,161</u>	<u>252,133</u>
<i>Operating Income (Loss)</i>	<u>179,818</u>	<u>540</u>	<u>180,358</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Principal Retirement	(124,743)		(124,743)
Interest and Other Fiscal Charges	(43,090)		(43,090)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(167,833)</u>	<u>0</u>	<u>(167,833)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	11,985	540	12,525
Special Item	3,689		3,689
Transfers In	3,476		3,476
<i>Net Change in Fund Cash Balances</i>	19,150	540	19,690
<i>Fund Cash Balances, January 1</i>	<u>320,219</u>		<u>320,219</u>
<i>Fund Cash Balances, December 31</i>	<u>\$339,369</u>	<u>\$540</u>	<u>\$339,909</u>

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



**VILLAGE OF HAMDEN  
VINTON COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$28,040	\$7,246		\$35,286
Intergovernmental	37,767	48,172		85,939
Charges for Services	12,370	600		12,970
Fines, Licenses and Permits	250			250
Earnings on Investments	1,441	157		1,598
Miscellaneous	2,096	1,250		3,346
<i>Total Cash Receipts</i>	<u>81,964</u>	<u>57,425</u>	<u>\$0</u>	<u>139,389</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	33,016	20,059		53,075
Public Health Services	173			173
Leisure Time Activities		1,381		1,381
Transportation		33,280		33,280
General Government	42,415	250		42,665
Capital Outlay			58,279	58,279
<i>Total Cash Disbursements</i>	<u>75,604</u>	<u>54,970</u>	<u>58,279</u>	<u>188,853</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,360</u>	<u>2,455</u>	<u>(58,279)</u>	<u>(49,464)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			30,302	30,302
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>30,302</u>	<u>30,302</u>
<i>Net Change in Fund Cash Balances</i>	6,360	2,455	(27,977)	(19,162)
<i>Fund Cash Balances, January 1</i>	<u>160,173</u>	<u>59,160</u>	<u>121,905</u>	<u>341,238</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		60,180	93,928	154,108
Committed		1,435		1,435
Assigned	29,615			29,615
Unassigned (Deficit)	136,918			136,918
<i>Fund Cash Balances, December 31</i>	<u>\$166,533</u>	<u>\$61,615</u>	<u>\$93,928</u>	<u>\$322,076</u>

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

**VILLAGE OF HAMDEN  
VINTON COUNTY**

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

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$420,413
<i>Total Operating Cash Receipts</i>	420,413
<b>Operating Cash Disbursements</b>	
Personal Services	144,418
Employee Fringe Benefits	6,987
Contractual Services	193,031
Supplies and Materials	20,024
Other	2,100
<i>Total Operating Cash Disbursements</i>	366,560
<i>Operating Income (Loss)</i>	53,853
<b>Non-Operating Receipts (Disbursements)</b>	
Other Debt Proceeds	14,081
Principal Retirement	(127,896)
Interest and Other Fiscal Charges	(45,873)
<i>Total Non-Operating Receipts (Disbursements)</i>	(159,688)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(105,835)
Special Item	4,742
<i>Net Change in Fund Cash Balances</i>	(101,093)
<i>Fund Cash Balances, January 1</i>	421,312
<i>Fund Cash Balances, December 31</i>	\$320,219

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

**VILLAGE OF HAMDEN  
VINTON COUNTY**

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

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Hamden, Vinton County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and fire and police services.

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), 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.

**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. The Village has two checking accounts and certificate of deposits which 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

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

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

**VILLAGE OF HAMDEN  
VINTON COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Police Levy Fund - This fund receives levy money to fund the Hamden Police Department to provide protection services to the Village.

Federal Grant Fund - This fund receives federal grant money to purchase equipment for the Fire Department.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Sewer Construction Fund - This fund receives grants and loan proceeds to fund construction of a central sanitary sewer system in the incorporated area of Hamden including the construction of a wastewater treatment facility.

**4. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs. The fund also receives grants and loans for the water and sewer construction projects.

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

Trash Fund - This fund receives charges for services from residents to cover trash service costs.

Enterprise Debt Service Fund - This fund receives charges for services from residents to pay back debt related to the water and sewer construction projects.

**5. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

**VILLAGE OF HAMDEN  
VINTON COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**5. Fiduciary Funds (Continued)**

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's agency fund accounts for the Mayor's Court.

**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. 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 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

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

**F. Fund Balance**

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

**1. Nonspendable**

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

VILLAGE OF HAMDEN  
VINTON COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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 HAMDEN  
VINTON COUNTY**

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

	2013	2012
Demand deposits	\$596,661	\$531,296
Certificates of deposit	81,496	110,999
Total deposits and investments	\$678,157	\$642,295

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$99,930	\$115,968	\$16,038
Special Revenue	128,579	118,013	(10,566)
Capital Projects	0	0	0
Enterprise	422,150	429,955	7,805
Total	\$650,659	\$663,936	\$13,277

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$103,205	\$126,280	(\$23,075)
Special Revenue	88,436	91,930	(3,494)
Capital Projects	93,928	10	93,918
Enterprise	475,726	411,114	64,612
Total	\$761,295	\$629,334	\$131,961

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$151,047	\$81,964	(\$69,083)
Special Revenue	48,965	57,425	8,460
Capital Projects	30,302	30,302	0
Enterprise	439,980	439,236	(744)
Total	\$670,294	\$608,927	(\$61,367)

**VILLAGE OF HAMDEN  
VINTON COUNTY**

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

**3. Budgetary Activity (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$83,947	\$75,604	\$8,343
Special Revenue	53,041	54,970	(1,929)
Capital Projects	94,061	58,279	35,782
Enterprise	580,475	540,329	40,146
Total	\$811,524	\$729,182	\$82,342

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$23,075, Federal Grant Fund by \$25,985, State Fire Marshall Grant Fund by \$4,500, and the Sewer Fund by \$123,136 for the year ended December 31, 2013 and in the State Grant-State Fire Marshall Fund by \$300, State Grant Fund by \$10,000 and the Debt Service Reserve Fund by \$23,210 for the year ended December 31, 2012.

**4. Property Tax**

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

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

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

**5. Debt**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan - 4535	\$2,631,096	1.50%
Ohio Water Development Authority Loan - 5199	\$460,318	0.00%
Ohio Water Development Authority Loan - 5853	\$77,992	2.00%
Ohio Water Development Authority Loan - 5907	\$124,681	1.00%
Ohio Public Works Commission - CO071	\$318,750	0.00%

The Ohio Water Development Authority (OWDA) loan 4535 relates to the construction of a water and sewer plant expansion project approved by the Ohio Environmental Protection Agency. The OWDA provided \$3,000,000 in loans to the Village for this project in 2006. The Village began repaying this loan in 2009 with semi-annual installments that will last 30 years.



**VILLAGE OF HAMDEN  
VINTON COUNTY**

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

**5. Debt (Continued)**

The Ohio Water Development Authority (OWDA) loan 5199 relates to water system renovations, and included funding received from the Drinking Water Assistance Fund and the American Recovery and Reinvestment Act (ARRA). The project was approved in 2009 by the OWDA with a projected cost of \$2,506,424 with \$1,752,548 in principal forgiveness through ARRA. During the 2010-2011 audit period, the Village expended \$1,853,675 on the project and \$1,404,354 of the principal was forgiven through ARRA. The Village began repaying the loan in 2010 with semi-annual installments that will last 30 years.

The Ohio Water Development Authority (OWDA) loan 5853 relates to the construction of a Sludge Belt Press to be used in conjunction with the Villages water and sewer plant. The total loan amount approved was \$100,000 plus capitalized interest. The Village originally took out loan 5781 through the OWDA for the Sludge Belt Design in the amount of \$20,802. The loan was paid off with this loan. The Vinton County Commissioners contributed \$240,000 of Appalachian Regional Commission Grant money towards the construction of the Belt Press. The Village began repaying the loan in 2012 with semi-annual installments that will last 30 years.

The Ohio Water Development Authority (OWDA) loan 5907 relates to the completion of the water system renovation project. The total loan amount approved was \$223,000 plus capitalized interest. The Village began repaying the loan in 2012 with semi-annual installments that will last 30 years.

The Ohio Public Works Commission (OPWC) loan relates to the water and sewer maintenance and repair project the Village received funding for through OWDA. In 2009, the OPWC approved the loan for \$375,000 and a debt repayment grant for \$410,000. The Village began repaying the loan in 2011 with semi-annual installments that will last 20 years.

For all the loans associated with the water and sewer projects, the water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Village acquired a loan through the Department of Commerce – State Fire Marshall’s Office for \$150,000 in June of 2006 to fund a portion of the cost of a new fire station. The Village received this money; however, the Village entered an agreement wherein the Hamden Volunteer Fire Department will repay the loan principal and interest.

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

Year ending December 31:	OWDA Loan #4535	OWDA Loan # 5199	OWDA Loan # 5853	OPWC Loan CO071
2014	\$62,275	\$8,685	\$1,826	\$9,375
2015	124,550	17,370	3,651	18,750
2016	124,550	17,370	3,651	18,750
2017	124,550	17,370	3,651	18,750
2018	124,550	17,370	3,651	18,750
2019-2023	622,751	86,852	18,257	93,750
2024-2028	622,751	86,852	18,257	93,750
2029-2033	622,751	86,852	18,257	46,875
2034-2038	622,751	86,852	18,257	
2039-2043	124,550	34,745	12,780	
Total	<u>\$3,176,029</u>	<u>\$460,318</u>	<u>\$102,236</u>	<u>\$318,750</u>

**VILLAGE OF HAMDEN  
VINTON COUNTY**

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

**5. Debt (Continued)**

The Ohio Water Development Authority Loan number 5907 amortization is not included in the above debt service requirements because the project is not yet complete.

**6. Retirement System**

The Village's employees and elected officials 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. For 2013 and 2012, 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, 2013.

**7. Risk Management**

**Risk Pool Membership**

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

Pursuant to § 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 coverage's 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, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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

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

**VILLAGE OF HAMDEN  
VINTON COUNTY**

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

**7. Risk Management (Continued)**

**Risk Pool Membership (Continued)**

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

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,698,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. Subsequent Events**

On July 1, 2014, the Village entered into a grant agreement with OPWC to receive funding to assist in the storm sewer project. The funding will be received from OPWC in the amount of \$214,825 as a grant and \$115,675 as a loan at 0% interest for 25 years. Loan payments will be \$4,627 annually.

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# Dave Yost • Auditor of State

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

Village of Hamden  
Vinton County  
P.O. Box 355  
Hamden, Ohio 45634

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 Village of Hamden, Vinton County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated November 10, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-004 described in the accompanying Schedule of Findings to be a material weakness.

***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 Findings as items 2013-001 through 2013-003.

***Entity's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 10, 2014

**VILLAGE OF HAMDEN  
VINTON COUNTY**

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

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

**FINDING NUMBER 2013-001**

**Noncompliance**

Ohio Rev. Code § 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a village council would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See C.B. Transportation, Inc. v. Butler County Board of Mental Retardation, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); Burkholder v. Lauber, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

At December 31, 2013, appropriations as approved by the Village Council did not agree to the Village's accounting system. The variances are as follows:

	Approved	UAN System	Variance
General Fund	\$103,205	\$159,439	(\$56,234)
Parks and Recreation Fund	\$1,450	\$850	\$600
State Grant Fund – State Fire Marshall	\$0	\$4,500	(\$4,500)

At December 31, 2012, appropriations as approved by the Village Council did not agree to the Village's accounting system. The variances are as follows:

	Approved	UAN System	Variance
General Fund	\$83,947	\$82,250	\$1,697
State Highway Fund	\$2,401	\$2,701	(\$300)
State Grant Fund – State Fire Marshall	\$0	\$300	(\$300)
State Grant Fund	\$0	\$10,000	(\$10,000)
Fire Levy Fund	\$9,930	\$21,428	(\$11,498)
Sewer Construction Fund	\$94,060	\$147,316	(\$53,256)
Water Fund	\$187,213	\$182,213	\$5,000
Water Fund – ARRA	\$115,716	\$103,197	\$12,519
Water Fund – Preventive Maintenance	\$0	\$4,000	(\$4,000)
Sewer Fund	\$90,166	\$76,350	\$13,816
Sewer Fund – Preventative Maintenance	\$0	\$4,000	(\$4,000)
Debt Service Reserve Fund	\$124,550	\$148,050	(\$23,500)

We recommend Village Council to approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should only post legislatively approved amendments.

**Officials' Response:** The Village is aware of the issues of noncompliance and agrees to devise a plan to correct these issues.

**VILLAGE OF HAMDEN  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-002**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated.

At December 31, 2013, expenditures exceeded appropriations, as follows:

Fund	Authority	Expenditures	Variance
General Fund	\$103,205	\$126,280	(\$23,075)
Federal Grant Fund	\$0	\$25,985	(\$25,985)
State Grant – State Fire Marshall	\$0	\$4,500	(\$4,500)
Sewer Fund	\$72,168	\$195,304	(\$123,136)

At December 31, 2012, expenditures exceeded appropriations, as follows:

Fund	Authority	Expenditures	Variance
State Grant – State Fire Marshall Fund	\$0	\$300	(\$300)
State Grant Fund	\$0	\$10,000	(\$10,000)
Debt Service Reserve Fund	\$124,550	\$147,760	(\$23,210)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Village.

We recommend the Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**Officials' Response:** The Village is aware of the issues of noncompliance and agrees to devise a plan to correct these issues.

**FINDING NUMBER 2013-003**

**Noncompliance**

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet 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.



**VILLAGE OF HAMDEN  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-003 (Continued)**

**Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)**

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 §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from 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 Village.

2. Blanket Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond 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. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate - The Village 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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

32% of disbursements tested during the audit period were not properly certified by the Village Fiscal Officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

VILLAGE OF HAMDEN  
VINTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)

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

FINDING NUMBER 2013-003 (Continued)

**Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)**

We recommend the Village officials obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Village Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:** The Village is aware of the issues of noncompliance and agrees to devise a plan to correct these issues.

FINDING NUMBER 2013-004

**Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustment or reclassification:

In 2012:

- General Fund unassigned fund balance of \$29,615 was reclassified as assigned fund balance;
- Street Maintenance, Construction, and Repair Fund intergovernmental revenue of \$9,804 was misposted as taxes;
- Capital Projects Fund proceeds of debt revenue of \$30,302 was misposted as intergovernmental revenue; and
- Water Operating – ARRA Fund proceeds of debt revenue of \$14,081 was misposted as intergovernmental revenue.

In 2013:

- General Fund unassigned fund balance of \$45,388 was reclassified as assigned fund balance;
- General Fund sale of capital assets revenue of \$3,500 was misposted as miscellaneous revenue;
- Street Maintenance, Construction, and Repair Fund miscellaneous revenue in the amount of \$1,742 was reclassified as a transfer in;
- Street Maintenance, Construction, and Repair Fund intergovernmental revenue of \$9,854 was misposted as taxes;
- Federal Grant Fund basic utility services expenditure in the amount of \$5,218 was reclassified as a transfer out;
- Parks and Recreation Fund restricted fund balance of \$836 was reclassified as committed fund balance;

VILLAGE OF HAMDEN  
VINTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)

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

FINDING NUMBER 2013-004 (Continued)

**Material Weakness (Continued)**

- Sewer Fund transfer in of \$3,476 was misposted as special items;
- Mayor's Court Agency Fund fines, licenses, and fees revenue of \$580 for December 2013 collections was unrecorded in the UAN system; and
- Mayor's Court Agency Fund had \$40 of unrecorded bank service charges in 2013.

The Fiscal Officer made classification errors in posting of revenues and expenditures. This caused the misposting of revenues and expenditures as noted above.

The audited financial statements and the Village's UAN accounting system have been adjusted for the issues noted above.

We recommend the Fiscal Officer review the Village Officer's Handbook for guidance on the correct line items to post various receipts and disbursements of the Village to ensure the Village's financial statements are complete and accurate.

**Officials' Response:** The Village of aware of the issues and agrees to devise a plan to correct these issues.

**VILLAGE OF HAMDEN  
VINTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Rev. Code § 5705.41(B) – Actual disbursements exceeded appropriations.	No	Reissued as Finding 2013-002
2011-002	Errors in posting of receipts and expenditures.	No	Reissued as Finding 2013-004



# Dave Yost • Auditor of State

VILLAGE OF HAMDEN

VINTON 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  
NOVEMBER 25, 2014