



Mary Taylor, CPA
Auditor of State

**VILLAGE OF HAMLER
HENRY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2007	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2006.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Findings	25

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Mary Taylor, CPA

Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 24, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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, (the Village) as of and for the years ended December 31, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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.

Village of Hamler
Henry County
Independent Accountants' Report
Page 2

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, 2007 and 2006, 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, 2007 and 2006, 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 of the Village of Hamler, Henry County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

September 24, 2008

**VILLAGE OF HAMLER
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property Tax and Other Local Taxes	\$9,418			\$9,418
Municipal Income Tax	83,523			83,523
Intergovernmental Receipts	26,129	\$28,874		55,003
Fines, Licenses, and Permits	547			547
Earnings on Investments	5,155	2,224		7,379
Farm Lease	12,186			12,186
Miscellaneous	2,062			2,062
 Total Cash Receipts	 139,020	 31,098		 170,118
Cash Disbursements:				
Current:				
Security of Persons and Property	27,375			27,375
Basic Utility Services	805			805
Transportation	21,948	5,562		27,510
General Government	65,604			65,604
Debt Service:				
Principal Payments	20,211	3,960		24,171
Interest Payments	4,663			4,663
 Total Cash Disbursements	 140,606	 9,522		 150,128
Total Cash Receipts Over/(Under) Cash Disbursements	(1,586)	21,576		19,990
Fund Cash Balances, January 1	82,996	141,703	\$337	225,036
 Fund Cash Balances, December 31	 \$81,410	 \$163,279	 \$337	 \$245,026

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	<u>\$261,190</u>
Operating Cash Disbursements:	
Personal Services	33,268
Supplies and Materials	80,521
Other Disbursements	<u>1,620</u>
Total Operating Cash Disbursements	<u>115,409</u>
Operating Income	<u>145,781</u>
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	25,103
Interest	<u>80,580</u>
Total Non-Operating Cash Disbursements	<u>105,683</u>
Excess of Cash Receipts Over Cash Disbursements	40,098
Fund Cash Balances, January 1	<u>197,059</u>
Fund Cash Balances, December 31	<u>\$237,157</u>

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property Tax and Other Local Taxes	\$9,134			\$9,134
Municipal Income Tax	86,124			86,124
Intergovernmental Receipts	26,593	\$27,780		54,373
Charges for Services	4,138			4,138
Fines, Licenses, and Permits	362			362
Earnings on Investments	3,035	1,974		5,009
Farm Lease	9,854			9,854
Miscellaneous	2,063			2,063
 Total Cash Receipts	 141,303	 29,754		 171,057
Cash Disbursements:				
Current:				
Security of Persons and Property	30,339			30,339
Public Health Services	1,905			1,905
Basic Utility Services	876			876
Transportation	18,888	12,468		31,356
General Government	62,545			62,545
Debt Service:				
Principal Payments	19,323	1,320		20,643
Interest Payments	5,551			5,551
 Total Cash Disbursements	 139,427	 13,788		 153,215
 Total Cash Receipts Over Cash Disbursements	 1,876	 15,966		 17,842
 Fund Cash Balances, January 1	 81,120	 125,737	 \$337	 207,194
 Fund Cash Balances, December 31	 \$82,996	 \$141,703	 \$337	 \$225,036

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	<u>\$207,454</u>
Operating Cash Disbursements:	
Personal Services	34,574
Supplies and Materials	80,447
Capital Outlay	
Other Disbursements	<u>1,621</u>
Total Operating Cash Disbursements	<u>116,642</u>
Operating Income	<u>90,812</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	<u>185,500</u>
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	63,870
Interest	76,482
Total Non-Operating Cash Disbursements	<u>140,352</u>
Excess of Cash Receipts Over Cash Disbursements	135,960
Fund Cash Balances, January 1	<u>61,099</u>
Fund Cash Balances, December 31	<u>\$197,059</u>

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village'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. Cash and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments which 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.

2. Special Revenue Funds

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

3. Debt Service Funds

This fund accounts for resources the Village accumulates to pay bond and loan debt.

4. Enterprise Funds

These funds account for operations which 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.

Sanitary Sewer Fund - This fund receives charges for services to cover costs to cover sewer service operating costs.

E. Budgetary Process

The Ohio Revised Code requires each fund 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. 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 individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

F. 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.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2007	2006
Demand deposits	\$338,871	\$282,461
Certificates of deposit	143,312	139,634
Total deposits	\$482,183	\$422,095

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

Fund Type	2007 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General		\$139,020	\$139,020
Special Revenue		31,098	31,098
Enterprise		261,190	261,190
Total		\$431,308	\$431,308

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$140,606	(\$140,606)
Special Revenue		9,522	(9,522)
Enterprise		221,092	(221,092)
Total		\$371,220	(\$371,220)

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$155,000	\$141,303	(\$13,697)
Special Revenue	26,000	29,754	3,754
Enterprise	164,618	392,954	228,336
Total	\$345,618	\$564,011	\$218,393

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$231,754	\$139,427	\$92,327
Special Revenue	148,876	13,788	135,088
Debt Service	337		337
Enterprise	256,109	256,994	(885)
Total	\$637,076	\$410,209	\$226,867

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.

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$ 1,876,000	4.25%
Mortgage Loan	92,618	4.50%
Ohio Public Works Commission Loan CE12F	20,412	
Ohio Public Works Commission Loan CE28G	47,520	
Total	<u>\$2,036,550</u>	

In 2006, the Village made the final payment on the Ohio Water Development Authority (OWDA) loan which related to a sewer plant expansion project the Ohio Environmental Protection Agency mandated.

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

The Mortgage loan relates to the Village purchasing land. The Mortgage loan is to be repaid over a 12 year period at a rate of 4.5%. The annual payment of \$24,874 including interest payments will be made through 2012. The Mortgage Loan is collateralized by 80 acres of land.

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

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEBT – (CONTINUED)

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>USDA Mortgage Revenue Bonds</u>	<u>Mortgage Loan</u>	<u>OPWC Loan CE12F</u>	<u>OPWC Loan CE28G</u>
2008	\$ 99,730	\$ 24,874	\$ 1,701	\$ 1,320
2009	100,880	24,874	3,402	2,640
2010	100,945	24,874	3,402	2,640
2011	99,968	21,874	3,402	2,640
2012	99,990	2,073	3,402	2,640
2013-2017	500,588		5,103	13,200
2018-2022	502,925			13,200
2023-2027	502,273			9,240
2028-2032	502,610			
2033-2037	500,940			
2038-2042	503,287			
2043-2045	300,842			
Total	<u>\$3,814,978</u>	<u>\$98,569</u>	<u>\$20,412</u>	<u>\$47,520</u>

7. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 13.7% of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

8. RISK POOL MEMBERSHIP

The Village belongs to 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 over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**VILLAGE OF HAMLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. RISK POOL MEMBERSHIP – (CONTINUED)

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2007	2006
Assets	\$11,136,455	\$9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	\$6,862,902	\$6,290,528

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

9. COMPLIANCE

- Contrary to Ohio law, the Village did not appropriate and post \$98,482 of Ohio Public Works Commission (OPWC) money sent directly to the vendor by OPWC for the year ended December 31, 2006.
- Contrary to Ohio law, the Village did not file a certificate of the amounts available for expenditures with the County Auditor in 2007 and did not file the certificate for 2006 until October 2006.
- Contrary to Ohio law, none of the expenditures were certified by the Fiscal Officer in 2007 and 2006.
- Contrary to Ohio law, there were no legally adopted appropriations for the year ended December 31, 2007.
- Contrary to Ohio law, the Village did not obtain a certificate indicating the appropriations did not exceed estimated resources for 2006.
- Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sanitary Sewer Fund for the year ended December 31, 2006, and for all funds for the year ended December 31, 2007.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of the Village of Hamler, Henry County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 24, 2008, 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. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control 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 audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-007, and 2007-008.

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Village of Hamler
Henry County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated September 24, 2008.

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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-006.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 24, 2008.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 24, 2008

**VILLAGE OF HAMLER
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation and Material Weakness

Chapter 5705 of the Revised Code sets forth a method which provides for a uniform budget and appropriation process in order to assure a government entity expends no more than it expects to receive in revenue. In order to accomplish this end, all appropriations must be accounted for and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded per Revised Code § 5705.42. Thus, a mechanism is still required to account for receipt and expenditure. This mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making the original appropriation per Revised Code § 5705.40. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, the measure also requires legislative action per Revised Code § 5705.38.

In 2006, the Village was the beneficiary of \$90,000 in money sent directly to the vendor by the Ohio Public Works Commission (OPWC). This activity was not recorded in the Village's accounting ledgers. Since OPWC paid the invoices, the Village did not receive this cash. However, Auditor of State Bulletins 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Village applies for a project and when the Village is ultimately going to receive the benefit/ownership of the asset of the project. These funds were not appropriated causing expenditures to exceed appropriations in the Enterprise Fund by \$98,482 in 2006, contrary to Revised Code § 5705.41(B) which requires all expenditures to be appropriated. The accompanying financial statements were adjusted to reflect these amounts in the Enterprise fund.

We recommend the Village follow the budgetary method of Chapter 5705 of the Revised Code and monitor appropriations, amending them as appropriate to record these funds. When the Village is notified it has been approved for funding by a State or Federal agency, it should review the reporting requirements established by Auditor of State Bulletins 2000-008 and 2002-004, create the required fund(s), certify the available resources to the County budget commission, amend its appropriations measure to account for the grant funds, and when notified funds have been expended on its behalf, make memo entries to post the revenues and expenditures to the Village's books.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Revised Code § 5705.36, states on or about the first day of each fiscal year, the auditor shall certify the total amount from all sources available for expenditure from each fund in the tax budget, with any balances existing at the end of the preceding year.

The Village did not file the certificate for 2006 with the County Auditor until October 2006 and there was no evidence of a certificate ever being certified in 2007. This resulted in the Village not receiving a certificate of estimated resources from the County Auditor for 2006 until October 13, 2006, and not receiving a certificate of estimated resources for 2007 on which to base the Village's appropriations. We recommend the Village file the appropriate certificate on or about the first day of each year.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Revised Code § 5705.38, requires on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Village Council approved temporary appropriations on December 28, 2006 for 2007; however, an annual appropriation measure was not legally adopted by Village Council during 2007.

As a result, expenditures made after April 1, 2007, were not legally expended in all seven funds. We recommend the Village Council approve appropriations and file them with the County Auditor in order to obtain a certificate stating appropriations do not exceed estimated resources.

FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Revised Code § 5705.39 provides appropriations from each fund should not exceed the estimated revenue available for expenditure from each fund as certified by the budget commission in the certificate of estimated resources. Furthermore, no appropriation measure is to become effective until the County Auditor files a certificate with the subdivision stating the total appropriations from each fund do no exceed the total official estimate or amended official estimate.

There was no evidence the Village obtained a certificate of estimated resources or a certificate indicating the appropriations did not exceed estimated resources for 2006 until October 13, 2006. As a result, appropriations exceeded estimated resources in all seven funds for the period January 1, 2006 to October 12, 2006.

Total appropriations in excess of total available resources may result in deficit spending. The Fiscal Officer should regularly compare appropriations to the total available resources for expenditure from each fund and submit the necessary modifications to Council for approval. In addition, the Fiscal Officer should make sure annual appropriations and all subsequent modifications have been certified by the County Auditor by the end of each fiscal year so each respective measure has been made effective.

FINDING NUMBER 2007-005

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

As noted in Finding 2007-003, there was no evidence the Village Council passed appropriation measures in 2007, consequently, expenditures exceeded appropriation in all seven funds in 2007.

FINDING NUMBER 2007-005
(Continued)

In addition, expenditures exceeded appropriations by \$89,679 in the Sanitary Sewer Fund at December 31, 2006.

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored could result in overspending. The Village Council should obtain a certificate for appropriations from the County Auditor as required so expenditures can be monitored and compliance with the Ohio

Revised Code provisions can be attained. Expenditures should be limited to established appropriation limitations. In addition, appropriations should be increased as needed, and if necessary, the corresponding estimated resources should be amended.

FINDING NUMBER 2007-006

Noncompliance Citation

Ohio Revised 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 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.

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

1. "Then and Now" certificate – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), 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 the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

FINDING NUMBER 2007-006
(Continued)

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 extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the transactions tested were certified by the fiscal officer at the time the commitment was incurred and there was no evidence 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 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 the Fiscal Officer certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders which include the certification language 5705.41(D) requires to authorize disbursements. The 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.

FINDING NUMBER 2007-007

Material Weakness

Monitoring of Financial Activity

Sound accounting practices require regular and thorough monitoring of the Village's financial activity by the governing board. Review of financial data on a regular basis is an important monitoring tool to help ensure financial data is accurately accounted for in the Village's accounting ledgers and whether resources are being efficiently utilized.

Council's review of the Village finances is limited to a review of invoices and fund balances. Council does not review monthly financial information which includes revenues, disbursements, investments, and bank reconciliations. These weaknesses allowed posting errors such as the following to occur and go undetected:

- Principal and interest debt payments of \$19,323 and \$5,551, respectively, were misposted as general government disbursements in the General Fund for the year ended December 31, 2006. Principal and interest debt payments of \$20,211 and \$4,663, respectively, were misposted as general government disbursements in the General Fund for the year ended December 31, 2007.
- Principal debt payments of \$1,874 in the Street Construction, Maintenance, and Repair Fund were misposted to the transportation disbursements for the years ended December 31, 2007 and 2006.

FINDING NUMBER 2007-007
(Continued)

- The Fiscal Officer misposted \$95,500 of United States Department of Agriculture monies provided to set up a Debt Service Reserve Fund as charges for services in the Sewer Fund. This money should have been posted as intergovernmental revenue in a Debt Service Reserve Fund.

As a result, the financial statements did not correctly reflect the financial activity of the Village for each respective fiscal year. Adjustments including the examples noted above, were made to the financial statements and accounting records.

The Village Council should review bank reconciliations, receipts ledgers, expenditure ledgers, investment schedule, income tax reports, utility reports and budgetary reports. This information also provides important data necessary to manage the Village of Hamler. This information can also help answer questions such as the following:

Inquiries Relevant to Overall Village of Hamler Operations:

- Are receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being received in a timely manner?
- Is the Village of Hamler maximizing its return on cash investments?

FINDING NUMBER 2007-008

Material Weakness

Budgetary Accounting

The Fiscal Officer did not prepare reports for Council showing a comparison of approved budget commission estimated revenue to actual revenue received and Council approved appropriations to actual expenditures and encumbrances for all seven funds.

The failure to review budget versus actual financial reports impacts the Board's ability to identify negative budgetary variances and/or noncompliance with budgetary laws which could be material to the financial statements. In addition, revenue and expenditure recording errors that are material to the financial statements could occur and not be detected before completion of the annual financial statements.

To provide Council with information to make informed decisions we recommend:

- Estimated receipts should be posted to the receipt ledger to the respective receipt account. As monies are actually received and posted to the receipt ledger a declining estimated balance would be shown. This would provide Council with information if the actual revenues are meeting the estimates originally budgeted for.

FINDING NUMBER 2007-008
(Continued)

- The amount appropriated for each account in the annual appropriation resolution should be posted to the appropriation ledger to the respective appropriation account. Expenditures and encumbrances should be deducted from the appropriation account to provide a declining appropriated balance available for expenditure.

Officials' Response:

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

**VILLAGE OF HAMLER
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code § 5705.39 for not adopting appropriations and not obtaining a certificate from the County Auditor.	No	Repeated as 2007-004 in this report.
2005-002	Ohio Revised Code § 5705.36(A)(1) for not certifying to the County Auditor the total amount from all sources available for expenditure for 2005.	No	Repeated as 2007-002 in this report.
2005-003	Ohio Revised Code § 5705.41(D)(1) for not certifying expenditures.	No	Repeated as 2007-006 in this report.
2005-004	Ohio Revised Code 5705.42 and 5705.41(B) of the Revised Code for not appropriating and recording funds spent on behalf of the Village	No	Repeated as 2007-001 in this report.
2005-005	Utility Processing	Partially Corrected	Repeated in the management letter.
2005-006	Material Weakness regarding misposting of debt proceeds and payments.	No	Repeated as 2007-007 in this report.
2005-007	Material Weakness regarding monitoring of financial activity.	No	Repeated as 2007-007 in this report.



Mary Taylor, CPA

Auditor of State

VILLAGE OF HAMLER

HENRY COUNTY

CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 14, 2008**