



Mary Taylor, CPA
Auditor of State

VILLAGE OF HOLGATE
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 - Enterprise Fund Type - For the Year Ended December 31, 2006	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 - Enterprise 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	22

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Village of Holgate
Henry County
327 Railway Avenue, P.O. Box 217
Holgate, OH 43527-0217

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 15, 2008

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Holgate
Henry County
327 Railway Avenue, P.O. Box 217
Holgate, OH 43527-0217

To the Village Council:

We have audited the accompanying financial statements of the Village of Holgate, 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.

Except as discussed in the following paragraph, 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.

We were unable to obtain sufficient evidential matter to support the charges for services revenue reported for the Swimming Pool, Special Revenue Fund. Those activities represent 100 percent of the 2007 and 2006 charges for services revenues of the Special Revenue Fund Type and six and seven percent of the total revenue for 2007 and 2006, respectively, of the Special Revenue Fund Type.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 August 15, 2008, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, except for the effects of such adjustment , if any, as might have been determined to be necessary had one been able to obtain sufficient evidential matter for the Special Revenue Funds Charges for Service Revenue, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Holgate, 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 August 15, 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

August 15, 2008

**VILLAGE OF HOLGATE
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**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$24,355	\$27,348			\$51,703
Municipal Income Tax	134,276			\$89,356	223,632
Intergovernmental	60,167	55,823			115,990
Charges for Services		5,939			5,939
Fines, Licenses and Permits	2,448				2,448
Earnings on Investments	24,544	354			24,898
Miscellaneous	3,505	9,010			12,515
Total Cash Receipts	<u>249,295</u>	<u>98,474</u>		<u>89,356</u>	<u>437,125</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	96,720	17,185			113,905
Leisure Time Activities		25,108			25,108
Community Environment	3,891				3,891
Transportation		48,041			48,041
General Government	118,041	499			118,540
Debt Service:					
Redemption of Principal				1,447	1,447
Capital Outlay	8,643			72,719	81,362
Total Cash Disbursements	<u>227,295</u>	<u>90,833</u>		<u>74,166</u>	<u>392,294</u>
Total Cash Receipts Over Cash Disbursements	<u>22,000</u>	<u>7,641</u>		<u>15,190</u>	<u>44,831</u>
Other Financing Disbursements:					
Other Financing Uses	(450)				(450)
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	<u>21,550</u>	<u>7,641</u>		<u>15,190</u>	<u>44,381</u>
Fund Cash Balances, January 1	<u>34,708</u>	<u>176,718</u>	<u>\$53,212</u>	<u>180,313</u>	<u>444,951</u>
Fund Cash Balances, December 31	<u><u>\$56,258</u></u>	<u><u>\$184,359</u></u>	<u><u>\$53,212</u></u>	<u><u>\$195,503</u></u>	<u><u>\$489,332</u></u>

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

**VILLAGE OF HOLGATE
HENRY COUNTY**

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

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$273,346
Miscellaneous	12,783
	<hr/>
Total Operating Cash Receipts	286,129
	<hr/>
Operating Cash Disbursements:	
Personal Services	109,601
Transportation	241
Contractual Services	25,393
Supplies and Materials	114,931
Capital Outlay	36,819
	<hr/>
Total Operating Cash Disbursements	286,985
	<hr/>
Operating Loss	(856)
	<hr/>
Non-Operating Cash Disbursements:	
Redemption of Principal	12,148
Interest and Other Fiscal Charges	3,011
Other Financing Uses	3,940
	<hr/>
Total Non-Operating Cash Disbursements	19,099
	<hr/>
Net Disbursements over Receipts	(19,955)
	<hr/>
Fund Cash Balances, January 1	394,001
	<hr/>
Fund Cash Balances, December 31	<u><u>\$374,046</u></u>

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

**VILLAGE OF HOLGATE
HENRY COUNTY**

VILLAGE OF HOLGATE

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$19,528	\$33,937			\$53,465
Municipal Income Tax	126,682			\$84,449	211,131
Intergovernmental	57,979	55,564			113,543
Charges for Services		6,751			6,751
Fines, Licenses and Permits	2,302				2,302
Earnings on Investments	20,663	267			20,930
Miscellaneous	8,010	1,447			9,457
Total Cash Receipts	<u>235,164</u>	<u>97,966</u>		<u>84,449</u>	<u>417,579</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	94,585	18,750			113,335
Leisure Time Activities		23,883			23,883
Community Environment	4,181				4,181
Transportation	1,262	45,951			47,213
General Government	117,394	231			117,625
Debt Service:					
Redemption of Principal		723		723	1,446
Capital Outlay	10,489			4,859	15,348
Total Cash Disbursements	<u>227,911</u>	<u>89,538</u>		<u>5,582</u>	<u>323,031</u>
Total Cash Receipts Over Cash Disbursements	<u>7,253</u>	<u>8,428</u>		<u>78,867</u>	<u>94,548</u>
Other Financing Disbursements:					
Other Financing Uses	(11,487)				(11,487)
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursemer	(4,234)	8,428		78,867	83,061
Fund Cash Balances, January 1	38,942	168,290	\$53,212	101,446	361,890
Fund Cash Balances, December 31	<u>\$34,708</u>	<u>\$176,718</u>	<u>\$53,212</u>	<u>\$180,313</u>	<u>\$444,951</u>

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

**VILLAGE OF HOLGATE
HENRY COUNTY**

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

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$272,604
Miscellaneous	9,559
	282,163
Total Operating Cash Receipts	282,163
Operating Cash Disbursements:	
Personal Services	106,812
Contractual Services	24,899
Supplies and Materials	79,791
Transportation	1,671
Capital Outlay	13,138
	226,311
Total Operating Cash Disbursements	226,311
Operating Income	55,852
Non-Operating Cash Disbursements:	
Capital Outlay	
Redemption of Principal	11,889
Interest and Other Fiscal Charges	3,179
Other Non-Operating Cash Disbursements	4,026
	19,094
Total Non-Operating Cash Disbursements	19,094
Total Cash Receipts Over Cash Disbursements	36,758
Fund Cash Balances, January 1	357,243
Fund Cash Balances, December 31	\$394,001

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

**VILLAGE OF HOLGATE
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 Holgate, Henry County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services including road maintenance and repair, water and sewer utilities, park operations, and police services. The Village contracts with the Henry County Sheriff's department to provide security of persons and property. The Village contracts with Pleasant Township to receive fire protection services.

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 that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF HOLGATE
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.

Street Light Fund -This fund receives real estate and personal property tax monies to cover the cost of maintaining street lights.

Swimming Pool Fund -This fund receives real estate and personal property tax monies, and charges for services monies/gate admissions and concession revenue, to cover the cost of maintaining the swimming pool.

3. Debt Service Fund

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

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Improvement Fund - This fund receives income tax monies and grant proceeds for the construction and repairs of major capital projects.

5. Enterprise Funds

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

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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.

**VILLAGE OF HOLGATE
HENRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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.

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 are 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	\$321,074	\$297,357
Certificates of deposit	542,204	541,495
Total deposits	863,278	838,852
Cash on Hand	100	100
Total Deposits and Cash on Hand	\$863,378	\$838,952

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

**VILLAGE OF HOLGATE
HENRY COUNTY**

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

3. BUDGETARY ACTIVITY

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

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$200,000	\$249,295	\$49,295
Special Revenue	84,000	98,474	14,474
Capital Projects	70,000	89,356	19,356
Enterprise	260,000	286,129	26,129
Total	<u>\$614,000</u>	<u>\$723,254</u>	<u>\$109,254</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$238,537	\$227,745	\$10,792
Special Revenue	256,889	90,833	166,056
Debt Service	53,212		53,212
Capital Projects	250,314	74,166	176,148
Enterprise	654,000	306,084	347,916
Total	<u>\$1,452,952</u>	<u>\$698,828</u>	<u>\$754,124</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$200,000	\$235,164	\$35,164
Special Revenue	78,100	97,966	19,866
Capital Projects	70,000	84,449	14,449
Enterprise	260,000	282,163	22,163
Total	<u>\$608,100</u>	<u>\$699,742</u>	<u>\$91,642</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$247,298	\$239,398	\$7,900
Special Revenue	237,934	89,538	148,396
Debt Service	53,212		53,212
Capital Projects	171,447	5,582	165,865
Enterprise	617,242	245,405	371,837
Total	<u>\$1,327,133</u>	<u>\$579,923</u>	<u>\$747,210</u>

**VILLAGE OF HOLGATE
HENRY COUNTY**

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

3. BUDGETARY ACTIVITY – (CONTINUED)

Contrary to Ohio law, none of the disbursement transactions tested were certified by the Clerk Treasurer at the time the commitment was incurred.

4. PROPERTY TAX

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

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

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

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

5. 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. Income tax receipts are credited 60 percent to the General Fund and 40 percent to the Capital Improvement Fund.

6. DEBT

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

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$144,188	2%
Ohio Public Works Commission Loan #1	58,460	0%
Ohio Public Works Commission Loan #2	23,874	0%
Total	<u>\$226,522</u>	

**VILLAGE OF HOLGATE
HENRY COUNTY**

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

6. DEBT – (CONTINUED)

The Ohio Water Development Authority (OWDA) loan relates to a water tower. The Village has received \$188,878 in loans from OWDA, and has a loan balance of \$144,188 at December 31, 2007. The loans will be repaid in semiannual installments of \$5,752 including interest, over 20 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) Loan #1 relates to storm sewer replacement and curb reconstruction. The OPWC has approved \$73,074 in interest free loans to the Village for this project. The loans will be repaid in semiannual installments of \$1,827, over 20 years. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) Loan #2 relates to a bridge replacement project. The OPWC has approved \$28,938 in interest free loans to the Village for this project. The loans will be repaid in semiannual installments of \$723 over 21 years.

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

Year ending December 31:	OPWC Loans Principal	OWDA Loan Principal	OWDA Loan Interest
2008	\$2,550	\$4,311	\$1,442
2009	5,101	8,751	2,754
2010	5,101	8,927	2,578
2011	5,101	9,106	2,399
2012	5,101	9,289	2,216
2013-2017	25,503	49,322	8,501
2018-2022	25,503	54,482	3,041
2023-2024	8,374		
Total	<u>\$82,334</u>	<u>\$144,188</u>	<u>\$22,931</u>

7. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. 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%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**VILLAGE OF HOLGATE
HENRY COUNTY**

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

8. RISK MANAGEMENT

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 coverage's, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

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 and 2006.

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

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

This page intentionally left blank.



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 Holgate
Henry County
327 Railway Avenue, P.O. Box 217
Holgate, OH 43527-0217

To the Village Council:

We have audited the financial statements of the Village of Holgate, Henry County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 15, 2008, wherein we noted we were unable to obtain sufficient evidential matter to support the revenues in the Pool Special Revenue Fund and the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We qualified our report on the Special Revenue Fund Type because of a lack of revenue records in the Pool Fund. Except as discussed in the first sentence of this paragraph, 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-002.

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. We believe the significant deficiency described above is also a material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated August 15, 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 an instance of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance that we reported to the Village's management in a separate letter dated August 15, 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

August 15, 2008

**VILLAGE OF HOLGATE
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

Ohio Revised Code Section 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 meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 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 the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

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.

**FINDING NUMBER 2007-001
(Continued)**

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 that 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 that 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 2007-002

Material Weakness

Swimming Pool Records

Formal policies regarding the accounting and management of swimming pool and concession revenues have not been established. Such policies are critical for defining a framework for legal compliance and safeguarding records essential to supporting accountability. In addition, insufficient and inaccurate record keeping could allow for errors or fraud to occur and not be detected.

Records, including gate admission revenue, season passes, and concession revenue, were not maintained by the pool manager during the audit period. Lack of such records resulted in an opinion qualification in the Village financial records for the Charges for Services Pool revenue, in the Special Revenue Fund Type.

Council should establish control procedures that define how swimming pool and concession revenues are to be accounted for. This may include, for example:

- The Pool Manager maintaining a master control sheet for all types of season passes which accounts for each pass in addition daily admission charged. Season passes should be approved by Council.
- Daily attendance logs being maintained by the Pool Manager and reconciled daily to money collected and deposited with the Clerk Treasurer. Management may want to consider recording the day's temperature and weather conditions on the daily log so management knows if revenues coincide with the day's conditions.
- An itemized record (or daily log) of individual concession sales being maintained by the Pool Manager that would be matched to deposits with the Clerk-Treasurer. Management should periodically compare concession revenues with concession inventory usage for reasonableness.

These policies should clearly define what documents are to be maintained and who is responsible for monitoring the records. Management should periodically review reports prepared by the Pool Manager to determine if the supporting documentation is reasonable and traces to deposits. Management should indicate their approval of records examined by dating and initialing the appropriate documents.

**FINDING NUMBER 2007-002
(Continued)**

Material Weakness

Financial Reporting

Inaccurate posting of transactions impedes the ability of the Council to accurately assess the financial status of the Village. We noted examples such as the following during our audit:

- Payments for OPWC debt in the amount of \$1,447 and \$723 was posted as capital outlay instead of redemption of principal in FY07 and FY 06.
- Payments received for bad checks in the amount of \$2,617 were posted as miscellaneous revenue instead of reducing the expenditure in FY 07.
- Payments received for water deposits in the amount of \$4,375 and \$5,995 were posted as negative interest expense and other fiscal charges instead of miscellaneous revenue in FY 07 and FY 06.

Thirty Six adjustments and reclassifications, including the above examples, were made to the financial statements and during the audit. We recommend the Clerk Treasurer post all transactions in accordance with the guidance established by the Village Officers' Handbook. Further, the Village should adopt policies and procedures including a fiscal review of the financial statements by the Clerk Treasurer and the Council to ensure errors and omissions are detected and corrected.

Official's Response

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

**VILLAGE OF HOLGATE
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 § 5705.41 (D) for not issuing purchase orders for all purchases	No	Not corrected and has been repeated in this report as finding 2007-001.
2005-002	Ohio Revised Code § 5705.42 the Village did not record \$122,845 of Ohio Public Work Commission (OPWC) money.	Yes	
2005-003	Ohio Revised Code § 5705.10 (D) Posting to improper funds	No	Improvement has been made reducing this to a management letter comment.
2005-004	Budgetary Receipts not being reported in the Village accounting system	No	Improvement has been made reducing this to a management letter comment.



Mary Taylor, CPA
Auditor of State

VILLAGE OF HOLGATE

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 4, 2008**