



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, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund Type - For the Year Ended December 31, 2009.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund Type - For the Year Ended December 31, 2008.....	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
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

July 7, 2010

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Holgate
Henry County
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, 2009 and 2008. 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 in 2009. Those activities represent 87 percent of the charges for services revenues of the Special Revenue Fund Type and seven percent of the total revenue 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.

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

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, 2009 and 2008 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, 2009 and 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 we been able to obtain sufficient evidential matter for the Special Revenue Funds Charges for Service Revenue in 2009, 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, 2009 and 2008, 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 July 7, 2010, 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

July 7, 2010

**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, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and Local Taxes	\$23,517	\$33,414		\$56,931
Municipal Income Tax	123,943			206,562
Intergovernmental	99,631	56,660		156,291
Charges for Services		8,531		8,531
Fines, Licenses and Permits	5,319			5,319
Earnings on Investments	11,256	345		11,601
Miscellaneous	3,712			3,712
Total Cash Receipts	267,378	98,950		448,947
Cash Disbursements:				
Current:				
Security of Persons and Property	88,567	20,390		108,957
Leisure Time Activities		25,568		25,568
Community Environment	4,127			4,127
Transportation	317	17,957		18,274
General Government	139,725	20		139,745
Debt Service:				
Redemption of Principal			1,827	1,827
Capital Outlay	7,754		180,530	188,284
Total Cash Disbursements	240,490	63,935		486,782
Total Cash Receipts Over/(Under) Cash Disbursements	26,888	35,015		(37,835)
Other Financing Receipts / (Disbursements):				
Loan Debt Proceeds			177,185	177,185
Other Financing Sources	1,301		20	1,321
Other Financing Uses	(16,030)			(16,030)
Total Other Financing Receipts / (Disbursements)	(14,729)		177,205	162,476
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	12,159	35,015		124,641
Fund Cash Balances, January 1	39,464	160,041	\$53,212	267,437
Fund Cash Balances, December 31	\$51,623	\$195,056	\$53,212	\$344,904

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, 2009**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$283,635
Fines, Licenses and Permits	
Miscellaneous	2,908
Total Operating Cash Receipts	286,543
Operating Cash Disbursements:	
Personal Services	143,663
Transportation	767
Contractual Services	24,240
Supplies and Materials	80,784
Total Operating Cash Disbursements	249,454
Operating Income	37,089
Non-Operating Cash Receipts:	
Miscellaneous Receipts	5,515
Non-Operating Cash Disbursements:	
Capital Outlay	10,267
Redemption of Principal	8,838
Interest and Other Fiscal Charges	2,667
Other Non-Operating Cash Disbursements	3,132
Total Non-Operating Cash Disbursements	24,904
Excess of Cash Receipts Over Cash Disbursements	17,700
Fund Cash Balances, January 1	369,310
Fund Cash Balances, December 31	\$387,010

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
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<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	\$17,063	\$31,337			\$48,400
Municipal Income Tax	131,040			\$87,360	218,400
Intergovernmental	57,359	55,397			112,756
Charges for Services		6,732			6,732
Fines, Licenses and Permits	4,847				4,847
Earnings on Investments	20,672	374			21,046
Miscellaneous	10,622				10,622
Total Cash Receipts	<u>241,603</u>	<u>93,840</u>		<u>87,360</u>	<u>422,803</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	107,788	19,311			127,099
Leisure Time Activities		27,420			27,420
Community Environment	3,951				3,951
Transportation	586	47,070			47,656
General Government	138,814	414			139,228
Debt Service:					
Redemption of Principal		23,873		1,827	25,700
Capital Outlay	4,960	70		13,599	18,629
Total Cash Disbursements	<u>256,099</u>	<u>118,158</u>		<u>15,426</u>	<u>389,683</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(14,496)</u>	<u>(24,318)</u>		<u>71,934</u>	<u>33,120</u>
Other Financing Receipts / (Disbursements):					
Other Financing Sources	6,927				6,927
Other Financing Uses	(9,225)				(9,225)
Total Other Financing Receipts / (Disbursements)	<u>(2,298)</u>				<u>(2,298)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,794)	(24,318)		71,934	30,822
Fund Cash Balances, January 1	56,258	184,359	\$53,212	195,503	489,332
Fund Cash Balances, December 31	<u><u>\$39,464</u></u>	<u><u>\$160,041</u></u>	<u><u>\$53,212</u></u>	<u><u>\$267,437</u></u>	<u><u>\$520,154</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, 2008**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$283,651
Fines, Licenses and Permits	10,000
Miscellaneous	6,406
Total Operating Cash Receipts	300,057
Operating Cash Disbursements:	
Personal Services	129,021
Transportation	908
Contractual Services	25,318
Supplies and Materials	120,527
Total Operating Cash Disbursements	275,774
Operating Income	24,283
Non-Operating Cash Receipts:	
Sale of Fixed Assets	8,051
Miscellaneous Receipts	4,577
Total Non-Operating Cash Receipts	12,628
Non-Operating Cash Disbursements:	
Capital Outlay	24,119
Redemption of Principal	10,491
Interest and Other Fiscal Charges	2,841
Other Non-Operating Cash Disbursements	4,196
Total Non-Operating Cash Disbursements	41,647
Excess of Cash Disbursements Over Cash Receipts	(4,736)
Fund Cash Balances, January 1	374,046
Fund Cash Balances, December 31	\$369,310

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, 2009 AND 2008**

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. 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 values certificate of deposits 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, 2009 AND 2008
(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 Funds:

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

Issue Two Fund - This fund received loan proceeds for the water treatment iron filtration improvement project.

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.

**VILLAGE OF HOLGATE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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 2009 and 2008 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 Deposits

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$488,503	\$346,541
Certificates of deposit	543,302	542,923
Total deposits	<u>\$1,031,805</u>	<u>\$889,464</u>

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, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$250,000	\$268,679	\$18,679
Special Revenue	85,700	98,950	13,250
Capital Projects	86,000	259,824	173,824
Enterprise	311,000	292,058	(18,942)
Total	\$732,700	\$919,511	\$186,811

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$294,615	\$256,520	\$38,095
Special Revenue	240,590	63,935	176,655
Debt Service	53,212		
Capital Projects	353,437	182,357	171,080
Enterprise	680,310	274,358	405,952
Total	\$1,622,164	\$777,170	\$791,782

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$253,000	\$248,530	(\$4,470)
Special Revenue	93,923	93,840	(83)
Capital Projects	85,000	87,360	2,360
Enterprise	289,300	312,685	23,385
Total	\$721,223	\$742,415	\$21,192

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$317,277	\$265,324	\$51,953
Special Revenue	270,262	118,158	152,104
Debt Service	53,212		
Capital Projects	280,504	15,426	265,078
Enterprise	663,345	317,421	345,924
Total	\$1,584,600	\$716,329	\$815,059

Contrary to Ohio law, fifty two percent of the disbursement transactions tested were not certified by the Fiscal Officer.

**VILLAGE OF HOLGATE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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, 2009, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$126,686	2%
Ohio Public Works Commission Loan #1	52,979	0%
Ohio Public Works Commission Loan #2	<u>177,205</u>	0%
Total	<u><u>\$356,870</u></u>	

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 \$126,686 at December 31, 2009. The loans will be repaid in semiannual installments of \$5,753 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.

**VILLAGE OF HOLGATE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

The Ohio Public Works Commission (OPWC) Loan #2 relates to a water treatment iron filtration project. The OPWC has approved \$177,205 in interest free loans to the Village for this project. The loans will be repaid in semiannual installments of \$4,430 over 28 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

An Ohio Public Works Commission (OPWC) Loan for a bridge replacement project was paid off early in 2008.

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

Year ending December 31:	OPWC Loans Principal	OWDA Loan Principal	OWDA Loan Interest
2010	\$12,514	\$4,486	\$1,267
2011	12,514	9,106	2,399
2012	12,514	9,289	2,216
2013	12,514	9,476	2,029
2014	12,514	9,666	1,838
2015-2019	62,570	51,325	6,499
2020-2024	60,743	33,338	1,176
2025-2029	44,301		
Total	<u>\$230,184</u>	<u>\$126,686</u>	<u>\$17,424</u>

7. Retirement System

The Village's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2009 and 2008, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

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 Ohio governments ("Members"). The Plan is legally separate from its member governments.

**VILLAGE OF HOLGATE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Pool Membership (Continued)

Pursuant to Section 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 coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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 retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

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.

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	<u>\$5,184,333</u>	<u>\$6,862,902</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
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, 2009 and 2008, and have issued our report thereon dated July 7, 2010, wherein we noted we were unable to obtain sufficient evidential matter to support the revenues in the Pool Special Revenue Fund for calendar year 2009 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 for calendar year 2009. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-002 and 2009-003 described in the accompanying schedule of findings to be material weaknesses.

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 is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 7, 2010.

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



Mary Taylor, CPA
Auditor of State

July 7, 2010

VILLAGE OF HOLGATE
HENRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the requirement stated above 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, each of 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 an appropriate fund free from any previous encumbrances, the Council can authorize the drawing of a warrant for the payment of the amount due. The Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts 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 Council.

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 Council 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 may, but need not, be limited to a specific vendor. 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.

Fifty two percent of the transactions tested were not certified by the Fiscal Officer at the time the commitments were 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 2009-001
(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 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 Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders include the certification language Ohio Revised Code § 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 Ohio Revised Code § 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 2009-002

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.

Formal records, including gate admission revenue, season passes, and concession revenue, were not maintained by the Pool Manager during the audit period. As a result, we were unable to obtain sufficient evidential matter to support the charges for services revenue reported for the Swimming Pool, Special Revenue Fund in 2009. Those activities represent 87 percent of the charges for services revenues of the Special Revenue Fund Type and seven percent of the total revenue of the Special Revenue Fund Type.

To ensure the amounts recorded in the financial statements are accurate, Council should establish control procedures which 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. .
- Daily attendance logs being maintained by the Pool Manager and reconciled daily to money collected and deposited with the Fiscal Officer. 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 which would be matched to deposits with the Fiscal Officer. 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 and amounts posted in accounting records. Management should indicate their approval of records examined by dating and initialing the appropriate documents.

FINDING NUMBER 2009-003

Material Weakness

Monitoring of Financial Activity

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

- OPWC debt loan proceeds in the amount of \$177,185 were posted as intergovernmental revenue in Capital Project Fund in 2009.
- Payments of debt principal in the amount of \$23,873 in the Undivided Permissive Fund were misclassified as transportation expenses in 2008.
- Payments received for sewer permits in the amount of \$10,000 in the Sewer Operating Fund were misclassified as miscellaneous receipts in 2008.

As a result, the financial statements did not correctly reflect the financial activity of the Village. Adjustments ranging from \$49 to \$177,185 were posted to the financial statements, and where applicable, the accounting records to correct these and other errors.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements to identify and correct errors and omissions.

Officials' Response:

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

**VILLAGE OF HOLGATE
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Revised Code § 5705.41 (D) for not improper certification.	No	Repeated as Finding 2009-001 in this report.
2007-002	Lack of Swimming Pool Records	No	Repeated as Finding 2009-002 in this report.
2007-003	Monitoring of Financial Reports	No	Repeated as Finding 2009-003 in this report.



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
JULY 27, 2010**