



Dave Yost • Auditor of State

**.VILLAGE OF HOLGATE
HENRY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Holgate
Henry County
P.O. Box 217
Holgate, Ohio 43527-0217

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Holgate, Henry County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Holgate, Henry County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

April 5, 2017

**VILLAGE OF HOLGATE
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$21,457	\$33,284		\$54,741
Municipal Income Tax	141,377		\$94,229	235,606
Intergovernmental	28,742	57,694		86,436
Fines, Licenses and Permits	6,623			6,623
Earnings on Investments	1,587	106		1,693
Miscellaneous	1,899	3,922		5,821
<i>Total Cash Receipts</i>	<u>201,685</u>	<u>95,006</u>	<u>94,229</u>	<u>390,920</u>
Cash Disbursements				
Current:				
Security of Persons and Property	46,470	21,681		68,151
Leisure Time Activities		40,101		40,101
Community Environment	4,751			4,751
Transportation	1,614	26,262		27,876
General Government	162,493	463		162,956
Capital Outlay	13,960		73,120	87,080
<i>Total Cash Disbursements</i>	<u>229,288</u>	<u>88,507</u>	<u>73,120</u>	<u>390,915</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(27,603)	6,499	21,109	5
Other Financing Receipts (Disbursements)				
Other Financing Sources	5,001		495	5,496
Other Financing Uses	(11,446)			(11,446)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,445)</u>		<u>495</u>	<u>(5,950)</u>
<i>Net Change in Fund Cash Balances</i>	(34,048)	6,499	21,604	(5,945)
<i>Fund Cash Balances, January 1</i>	<u>145,575</u>	<u>193,160</u>	<u>623,970</u>	<u>962,705</u>
Fund Cash Balances, December 31				
Restricted		199,659		199,659
Committed			645,574	645,574
Assigned	111,527			111,527
<i>Fund Cash Balances, December 31</i>	<u>\$111,527</u>	<u>\$199,659</u>	<u>\$645,574</u>	<u>\$956,760</u>

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

**VILLAGE OF HOLGATE
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$419,293
Miscellaneous	5,442
	<hr/>
<i>Total Operating Cash Receipts</i>	424,735
	<hr/>
Operating Cash Disbursements	
Personal Services	156,090
Transportation	523
Contractual Services	24,454
Supplies and Materials	88,808
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<i>Total Operating Cash Disbursements</i>	269,875
	<hr/>
<i>Operating Income</i>	154,860
	<hr/>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	9,750
Redemption of Principal	(10,183)
Other Financing Uses	(7,526)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	(7,959)
	<hr/>
<i>Net Change in Fund Cash Balances</i>	146,901
	<hr/>
<i>Fund Cash Balances, January 1</i>	557,953
	<hr/>
<i>Fund Cash Balances, December 31</i>	<u><u>\$704,854</u></u>

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

**VILLAGE OF HOLGATE
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$22,712	\$34,241		\$56,953
Municipal Income Tax	132,086		\$88,076	220,162
Intergovernmental	29,359	38,026		67,385
Charges for Services		3,675		3,675
Fines, Licenses and Permits	5,352			5,352
Earnings on Investments	1,444	96		1,540
Miscellaneous	24,294	2,018		26,312
<i>Total Cash Receipts</i>	<u>215,247</u>	<u>78,056</u>	<u>88,076</u>	<u>381,379</u>
Cash Disbursements				
Current:				
Security of Persons and Property	42,930	18,428		61,358
Leisure Time Activities		24,852		24,852
Community Environment	4,376			4,376
Transportation	1,035	25,741		26,776
General Government	163,215	284		163,499
Capital Outlay	26,634		7,957	34,591
Debt Service:				
Principal Retirement			34,710	34,710
<i>Total Cash Disbursements</i>	<u>238,190</u>	<u>69,305</u>	<u>42,667</u>	<u>350,162</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(22,943)	8,751	45,409	31,217
Other Financing Receipts (Disbursements)				
Other Financing Sources	81			81
Other Financing Uses	(6,115)			(6,115)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,034)</u>			<u>(6,034)</u>
<i>Net Change in Fund Cash Balances</i>	(28,977)	8,751	45,409	25,183
<i>Fund Cash Balances, January 1</i>	<u>174,552</u>	<u>184,409</u>	<u>578,561</u>	<u>937,522</u>
Fund Cash Balances, December 31				
Restricted		193,160		193,160
Committed			623,970	623,970
Assigned	145,575			145,575
<i>Fund Cash Balances, December 31</i>	<u>\$145,575</u>	<u>\$193,160</u>	<u>\$623,970</u>	<u>\$962,705</u>

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

**VILLAGE OF HOLGATE
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 398,274
Miscellaneous	44,958
	443,232
<i>Total Operating Cash Receipts</i>	<i>443,232</i>
Operating Cash Disbursements	
Personal Services	149,034
Transportation	800
Contractual Services	25,113
Supplies and Materials	107,847
Capital Outlay	56,445
	339,239
<i>Total Operating Cash Disbursements</i>	<i>339,239</i>
<i>Operating Loss</i>	<i>103,993</i>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	10,000
Principal Retirement	(15,935)
Other Financing Uses	(5,521)
	(11,456)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(11,456)</i>
<i>Net Change in Fund Cash Balances</i>	<i>92,537</i>
<i>Fund Cash Balances, January 1</i>	<i>465,416</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 557,953</i>

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, 2015 AND 2014**

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, Ohio (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 and park operations. 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 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

Park Fund -This fund receives real estate and personal property tax monies to cover the cost of maintaining the Village's park.

**VILLAGE OF HOLGATE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

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.

Street Light Fund – This fund receives money from the State for repairing Village Street lights.

3. Capital Project Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following Capital Project Fund:

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

4. Enterprise Funds

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

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

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. Appropriations lapse at year end.

2. Estimated Resources

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

**VILLAGE OF HOLGATE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**VILLAGE OF HOLGATE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

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:

	2015	2014
Demand deposits	\$1,117,742	\$976,830
Certificates of deposit	543,872	543,828
Total deposits	\$1,661,614	\$1,520,658

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 were as follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$210,000	\$206,686	(\$3,314)
Special Revenue	71,822	95,006	23,184
Capital Projects	85,000	94,724	9,724
Enterprise	440,000	434,485	(5,515)
Total	\$806,822	\$830,901	\$24,079

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$355,576	\$240,734	\$114,842
Special Revenue	264,982	88,507	176,475
Capital Projects	708,970	73,120	635,850
Enterprise	981,390	287,584	693,806
Total	\$2,310,918	\$689,945	\$1,620,973

**VILLAGE OF HOLGATE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$210,000	\$215,328	\$5,328
Special Revenue	89,694	78,056	(11,638)
Capital Projects	85,000	88,076	3,076
Enterprise	369,000	453,232	84,232
Total	<u>\$753,694</u>	<u>\$834,692</u>	<u>\$80,998</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$390,670	\$244,305	\$146,365
Special Revenue	267,986	69,305	198,681
Capital Projects	663,560	42,667	620,893
Enterprise	834,416	360,695	473,722
Total	<u>\$2,156,632</u>	<u>\$716,972</u>	<u>\$1,439,660</u>

4. Property Tax

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

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

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

5. 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, 2015 was as follows:

**VILLAGE OF HOLGATE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$74,802	2%
Ohio Public Works Commission Loan	124,043	0%
Total	\$198,845	

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 \$74,802 at December 31, 2015. 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 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.

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

Year ending December 31:	OWDA Loan	OPWC Loan
2016	\$11,505	\$8,860
2017	11,505	8,860
2018	11,505	8,860
2019	11,505	8,860
2020	11,505	8,860
2021-2025	23,009	44,301
2026-2029		35,442
Total	\$80,534	\$124,043

7. Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. 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 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

8. Risk Management

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

Pursuant to 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

**VILLAGE OF HOLGATE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% 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 772 and 783 members as of December 31, 2015 and 2014 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$ 5,531,637</u>	<u>\$ 5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. Related Party Transactions

Frank Felter, the husband of Carol Felter, a Council Member, cleans the Village offices. The Village remitted \$2,100 in 2015 and \$2,100 in 2014. These payments were approved at arm's length, with full knowledge by Village officials, of Ms. Felter's interest, and Ms. Felter took no part in the deliberation or decision by Village officials with respect to these payments.

10. Compliance

Contrary to the requirements of the Revised Code, Homestead and Rollback revenues were improperly recorded in the General Fund rather than the Pool Fund, Park Fund, and Street Lighting Fund. In addition, Gasoline Tax revenues were improperly recorded in the General Fund and State Highway fund rather than the Street Construction Maintenance and Repair fund.

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Dave Yost • Auditor of State

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

Village of Holgate
Henry County
P.O. Box 217
Holgate, Ohio 43527-0217

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Holgate, Henry County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated April 5, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 through 2015-003 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-003 and 2015-004.

Entity's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings.



Dave Yost
Auditor of State

Columbus, Ohio

April 5, 2017

**VILLAGE OF HOLGATE
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to readers of the financial statements accurately reflects the Village's activity. Errors were noted in the financial statements, resulting in the following audit adjustments:

- Assigned fund balance within the general fund was recorded as unassigned (2015 - \$111,527) (2014 - \$145,575);
- Debt payment of \$34,710 within the capital improvement fund was recorded as capital outlay rather than as debt service.

These errors were a result of inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. The accompanying financial statements have been adjusted to correct these errors.

To help ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the annual report by Council and the audit committee to identify and correct errors, omissions, and misclassifications.

FINDING NUMBER 2015-002

Material Weakness

Supporting Documentation

Documentation maintained for disbursements should include invoices, purchase orders, requisitions and canceled checks. Disbursements totaling \$20,013 in 2015 and \$10,374 in 2014 did not have invoices attached. After further searching and contacting vendors, the Village was able to obtain support for all but \$566 during our audit period. Of the remaining \$566, all were approved by three finance committee members and based on review of purchase orders and vendors, items were deemed to be for proper public purposes. However, failure to main proper supporting documentation for all disbursements could allow unauthorized or improper transactions to go undetected.

We recommend the Village properly obtain support for all transactions and attach them to canceled checks.

FINDING NUMBER 2015-003

Noncompliance / Material Weakness

Ohio Rev. Code §5705.10(D) provides that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a

special fund for such purpose.

In 2015, the Village did not allocate Gasoline Tax revenues and Homestead and Rollback revenues to the proper funds. The net effect resulted in a \$7,047 reduction in the General Fund cash balance, a \$2,922 reduction in the State Highway fund cash balance, a \$3,971 increase to the Street Construction Maintenance and Repair fund cash balance, an \$861 increase to the Park fund cash balance, a \$2,010 increase to the Pool fund cash balance, and a \$3,127 increase to the Street Lighting fund cash balance.

These errors were a result of inadequate policies and procedures in recording and accounting for Village receipts. The accompanying financial statements and accounting records have been adjusted to correct these errors.

We recommend the Village record revenues to the proper funds.

FINDING NUMBER 2015-004

Noncompliance

Ohio Rev. Code §5705.41(D)(1) provides that 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 that 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 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, 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 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 an appropriate fund, free from any previous encumbrances, the Village Council can authorize the drawing of a warrant for the payment of the amount due. The Village 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 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 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.

Thirty-six percent of transactions tested in 2015 and forty-one percent of transactions tested in 2014 were not properly 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.

Certification is not only required by Ohio law but it is a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of the Village's funds being over expended or exceeding budgetary spending limitations as set by the Village Council.

To improve controls over disbursements, we recommend the Village's disbursements receive prior certification of the Fiscal Officer and that Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the Fiscal Officer and recorded against appropriations.

Officials' Response:

We acknowledge these errors have occurred and are implementing procedures to correct them for the future.

**VILLAGE OF HOLGATE
HENRY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Finding was first issued in the 2006-2007 audit. Material weakness over financial reporting due to material audit adjustments.	Not corrected and repeated as Finding 2015-001 in this report.	This finding reoccurred as a result of inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. The Village is implementing procedures to correct these errors for the future.
2013-002	Noncompliance / Significant Deficiency due to revenues not recorded in proper funds under Ohio Rev. Code §5705.10.	Not corrected and repeated as Finding 2015-003 in this report.	This finding reoccurred as a result of inadequate policies and procedures in recording and accounting for Village receipts. The Village is implementing procedures to correct these errors for the future.



Dave Yost • 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
MAY 4, 2017