



**VILLAGE OF HOLGATE  
HENRY COUNTY  
Regular Audit  
For the Years Ended December 31, 2019 and 2018**

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Village Council  
Village of Holgate  
PO Box 217  
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We have reviewed the *Independent Auditor's Report* of the Village of Holgate, Henry County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Holgate is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

October 1, 2020

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VILLAGE OF HOLGATE  
HENRY COUNTY

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## INDEPENDENT AUDITOR'S REPORT

August 12, 2020

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

To the Village Council:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Village of Holgate**, Henry County, (the Village) as of and for the years ended December 31, 2019 and 2018.

### ***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 such 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.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
Members: American Institute of Certified Public Accountants  
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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

As described in Note 2 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, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Holgate, Henry County as of December 31, 2019 and 2018, and 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 2.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, during 2019 and 2018, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2020, 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.



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**VILLAGE OF HOLGATE  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 23,456	\$ 35,130	\$ -	\$ 58,586
Municipal Income Tax	219,099	-	54,775	273,874
Intergovernmental	32,258	60,788	-	93,046
Special Assessments	-	-	2,000	2,000
Fines, Licenses and Permits	6,085	-	-	6,085
Earnings on Investments	4,185	183	-	4,368
Miscellaneous	17,838	1,550	-	19,388
<i>Total Cash Receipts</i>	<u>302,921</u>	<u>97,651</u>	<u>56,775</u>	<u>457,347</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	37,984	8,987	-	46,971
Leisure Time Activities	-	11,576	-	11,576
Community Environment	4,952	-	-	4,952
Transportation	-	35,303	-	35,303
General Government	105,790	235	-	106,025
Capital Outlay	11,999	-	129,554	141,553
<i>Total Cash Disbursements</i>	<u>160,725</u>	<u>56,101</u>	<u>129,554</u>	<u>346,380</u>
<i>Excess of Receipts Over Disbursements</i>	<u>142,196</u>	<u>41,550</u>	<u>(72,779)</u>	<u>110,967</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Sources	-	-	29,161	29,161
Other Financing Uses	(30,472)	-	-	(30,472)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(30,472)</u>	<u>-</u>	<u>29,161</u>	<u>(1,311)</u>
<i>Net Change in Fund Cash Balances</i>	111,724	41,550	(43,618)	109,656
<i>Fund Cash Balances, January 1</i>	<u>257,743</u>	<u>183,657</u>	<u>674,522</u>	<u>1,115,922</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	225,207	630,904	856,111
Assigned	369,467	-	-	369,467
<i>Fund Cash Balances, December 31</i>	<u>\$ 369,467</u>	<u>\$ 225,207</u>	<u>\$ 630,904</u>	<u>\$ 1,225,578</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 (REGULATORY CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 512,536
Miscellaneous	<u>5,042</u>
<i>Total Operating Cash Receipts</i>	<u>517,578</u>
<b>Operating Cash Disbursements</b>	
Personal Services	149,159
Transportation	1,289
Contractual Services	20,601
Supplies and Materials	<u>72,578</u>
<i>Total Operating Cash Disbursements</i>	<u>243,627</u>
<i>Operating Income</i>	<u>273,951</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Other Debt Proceeds	404,084
Miscellaneous Receipts	12,243
Capital Outlay	(454,920)
Principal Retirement	(40,779)
Interest and Other Fiscal Charges	(720)
Other Financing Uses	<u>(14,154)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(94,246)</u>
<i>Net Change in Fund Cash Balances</i>	179,705
<i>Fund Cash Balances, January 1</i>	<u>1,136,639</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 1,316,344</u></u>

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

**VILLAGE OF HOLGATE**  
**HENRY COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting Entity**

The Village of Holgate (the Village), Henry County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

***Public Entity Risk Pool***

The Village participates in a public entity risk pool. Note 6 to the financial statements provide additional information for these entities.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction, Maintenance and Repair Fund – This fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Street Light Fund – This fund accounts for and reports money from the State for repairing Village street lights.

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

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

**VILLAGE OF HOLGATE**  
**HENRY COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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 Operating Fund – This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating Fund – This fund accounts for the provision of sanitary sewer services to the residents and commercial users located within the Village.

**Basis of Accounting**

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Budgetary Process**

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

**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.

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

**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 2019 budgetary activity appears in Note 3.

**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.

**VILLAGE OF HOLGATE**  
**HENRY COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Capital Assets***

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

***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.

***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:

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

***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.

***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.

***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.

***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*  
*For the Year Ended December 31, 2019*

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 507,743	\$ 302,921	\$ (204,822)
Special Revenue	276,657	97,651	(179,006)
Capital Projects	734,522	85,936	(648,586)
Enterprise	1,638,639	933,905	(704,734)
Total	\$ 3,157,561	\$ 1,420,413	\$ (1,737,148)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 507,743	\$ 191,197	\$ 316,546
Special Revenue	276,657	56,101	220,556
Capital Projects	734,522	129,554	604,968
Enterprise	1,638,639	754,200	884,439
Total	\$ 3,157,561	\$ 1,131,052	\$ 2,026,509

**Note 4 – Deposits**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2019 was as follows:

	2019
Demand deposits	\$2,011,396
Certificates of deposit	530,426
Cash on hand	100
Total deposits	\$2,541,922

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Taxes**

***Property Taxes***

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.

**VILLAGE OF HOLGATE**  
**HENRY COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 5 – Taxes (Continued)**

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.

***Income Taxes***

The Village levies a municipal income tax of 1% 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.

**Note 6 – Risk Management**

***Workers' Compensation***

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Risk Pool Membership***

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

**VILLAGE OF HOLGATE**  
**HENRY COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 7 – Defined Benefit Pension Plans**

**Ohio Public Employees Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. 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, 2019.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

**Note 9 - Debt**

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
OWDA Loan - Water Tower	\$ 27,918	2.00%
OWDA Loan - Sewer Lift	378,519	0.00%
Ohio Public Works Commission Loan	93,033	0.00%
Total	\$ 499,470	

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 \$27,918 at December 31, 2019. 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 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.

The Ohio Water Development Authority (OWDA) loan relates to a sewer lift station. The OWDA approved up to \$1,022,606 in loans to the Village for this project payable over 20 years. The scheduled payment amount below assumes that \$1,022,606 will be borrowed and the semiannual installments on this amount are \$25,565. The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Because the loan is not fully disbursed, it is not included in the amortization schedule.



**VILLAGE OF HOLGATE**  
**HENRY COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 9 – Debt (Continued)**

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

Year ending December 31:	OPWC Loan	OWDA Water Tower
2020	\$ 13,290	\$ 11,505
2021	8,861	11,505
2022	8,861	11,505
2023	8,861	-
2024	8,860	-
2025-2029	44,300	-
Total	\$ 93,033	\$ 34,515

**Note 10 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 22,292	\$ 34,227	\$ -	\$ 56,519
Municipal Income Tax	212,240	-	53,060	265,300
Intergovernmental	27,762	54,860	-	82,622
Special Assessments	-	-	1,558	1,558
Fines, Licenses and Permits	6,531	-	-	6,531
Earnings on Investments	3,240	165	-	3,405
Miscellaneous	10,161	7,532	-	17,693
<i>Total Cash Receipts</i>	<u>282,226</u>	<u>96,784</u>	<u>54,618</u>	<u>433,628</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	38,850	25,224	-	64,074
Leisure Time Activities	-	8,731	-	8,731
Community Environment	4,716	-	-	4,716
Transportation	-	93,550	-	93,550
General Government	121,827	220	-	122,047
Capital Outlay	7,490	-	63,613	71,103
<i>Total Cash Disbursements</i>	<u>172,883</u>	<u>127,725</u>	<u>63,613</u>	<u>364,221</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>109,343</u>	<u>(30,941)</u>	<u>(8,995)</u>	<u>69,407</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Sources	226	-	9,780	10,006
Other Financing Uses	(14,426)	-	-	(14,426)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(14,200)</u>	<u>-</u>	<u>9,780</u>	<u>(4,420)</u>
<i>Net Change in Fund Cash Balances</i>	95,143	(30,941)	785	64,987
<i>Fund Cash Balances, January 1</i>	<u>162,600</u>	<u>214,598</u>	<u>673,737</u>	<u>1,050,935</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	183,657	674,522	858,179
Assigned	257,743	-	-	257,743
<i>Fund Cash Balances, December 31</i>	<u>\$ 257,743</u>	<u>\$ 183,657</u>	<u>\$ 674,522</u>	<u>\$ 1,115,922</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 (REGULATORY CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 495,696
Miscellaneous	3,708
<i>Total Operating Cash Receipts</i>	499,404
<b>Operating Cash Disbursements</b>	
Personal Services	180,808
Transportation	946
Contractual Services	25,625
Supplies and Materials	84,382
<i>Total Operating Cash Disbursements</i>	291,761
<i>Operating Income</i>	207,643
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous Receipts	9,314
Capital Outlay	(3,707)
Principal Retirement	(19,432)
Interest and Other Fiscal Charges	(933)
Other Financing Uses	(7,980)
<i>Total Non-Operating Receipts (Disbursements)</i>	(22,738)
<i>Net Change in Fund Cash Balances</i>	184,905
<i>Fund Cash Balances, January 1</i>	951,734
<i>Fund Cash Balances, December 31</i>	\$ 1,136,639

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

**VILLAGE OF HOLGATE**  
**HENRY COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

The Village of Holgate (the Village), Henry County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

***Public Entity Risk Pool***

The Village participates in a public entity risk pool. Note 6 to the financial statements provide additional information for these entities.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

***Street Construction, Maintenance and Repair Fund*** This fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Street Light Fund*** This fund accounts for and reports money from the State for repairing Village street lights.

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

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

**VILLAGE OF HOLGATE**  
**HENRY COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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 Operating Fund** This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Sewer Operating Fund** This fund accounts for the provision of sanitary sewer services to the residents and commercial users located within the Village.

**Basis of Accounting**

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Budgetary Process**

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

**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.

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

**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 2018 budgetary activity appears in Note 3.

**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.

**VILLAGE OF HOLGATE**  
**HENRY COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Capital Assets***

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

***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.

***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:

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

***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.

***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.

***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.

***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*  
*For the Year Ended December 31, 2018*

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 372,600	\$ 282,452	\$ (90,148)
Special Revenue	305,125	96,784	(208,341)
Capital Projects	718,737	64,398	(654,339)
Enterprise	1,442,734	508,718	(934,016)
Total	\$ 2,839,196	\$ 952,352	\$ (1,886,844)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 372,600	\$ 187,309	\$ 185,291
Special Revenue	305,125	127,725	177,400
Capital Projects	718,737	63,613	655,124
Enterprise	1,442,734	323,813	1,118,921
Total	\$ 2,839,196	\$ 702,460	\$ 2,136,736

**Note 4 – Deposits**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2018 was as follows:

	2018
Demand deposits	\$1,723,108
Certificates of deposit	529,353
Cash on hand	100
Total deposits	\$2,252,561

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Taxes**

***Property Taxes***

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.

**VILLAGE OF HOLGATE**  
**HENRY COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 5 – Taxes (Continued)**

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.

***Income Taxes***

The Village levies a municipal income tax of 1% 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.

**Note 6 – Risk Management**

***Workers' Compensation***

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Risk Pool Membership***

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015



**VILLAGE OF HOLGATE**  
**HENRY COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

**Note 9 - Debt**

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan - Water Tower	\$ 38,703	2.00%
Ohio Public Works Commission Loan	97,463	0.00%
Total	<u>\$ 136,166</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 \$38,703 at December 31, 2018. 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 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.

**VILLAGE OF HOLGATE**  
**HENRY COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 9 – Debt (Continued)**

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

Year ending December 31:	OPWC Loan	OWDA Water Tower
2019	\$ 8,860	\$ 5,753
2020	8,861	11,505
2021	8,861	11,505
2022	8,861	11,505
2023	8,860	-
2024-2028	44,300	-
2029-2033	8,860	-
Total	\$ 97,463	\$ 40,268

**Note 10 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

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

August 12, 2020

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

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 cash balances, receipts and disbursements by fund type of the **Village of Holgate**, Henry County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated August 12, 2020, 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 and we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

**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 a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-002.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

VILLAGE OF HOLGATE  
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-001

**Material Weakness**

**Financial Reporting**

Accurate financial reporting is the responsibility of the Clerk-Treasurer and is essential to ensure information provided to the readers of the financial statements is accurate. The following errors with the Village's annual financial report were noted:

- Budget carryover in the General Fund was classified as Unassigned instead of Assigned;
- Reimbursement revenue was recorded as Fines, Licenses, and Permits instead of Miscellaneous;
- A loan payment to OWDA was improperly posted to capital outlay when it should have been posted to the principal retirement in 2019;
- The Village did not properly disclose a new debt issuance in 2019 in the notes to the financial statements or record the debt proceeds and corresponding capital outlay expense.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassifications and an adjustment. The financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenses are properly identified and classified on the financial statements.

We also recommend the Clerk-Treasurer refer to the Ohio Village Handbook and other Auditor of State resources for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

**Management's Response** – Officials did not provide a response to this finding.

FINDING NUMBER 2019-002

**Noncompliance**

**Public Records Policy**

Every public office must have a policy in place for compliance with Public Records Laws. There are three specific items that public offices cannot have in their public records policies. The policy cannot: (1) limit the number of public records it will make available to a single person; (2) limit the number of public records it will make available during a fixed period of time; or (3) establish a fixed period of time before it will respond to a request for inspection/copying of public records unless that period is less than eight hours.

VILLAGE OF HOLGATE  
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-002 (Continued)

Noncompliance (Continued)

Public Records Policy (Continued)

By September 29, 2007, all public officers were required to create a poster describing its public records policy. In addition, the public office is required to post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. Finally, if the public office has an employee policies and procedures manual or handbook, it is required that the public records policy be included in such manual or handbook.

Pursuant to **Ohio Rev. Code 149.43(B)(2)**, the entity shall have available a copy of its current records retention schedule at a location readily available to the public. Any application or schedule for the destruction of records must be sent to the Ohio Historical Society for review to determine whether any of the records are of historical value [**Ohio Rev. Code § 149.39**]. Once reviewed by the Ohio Historical Society, the applications are then forwarded to the Ohio Auditor of State's Office for final approval. A model policy is available at [www.ohioattorneygeneral.gov/files/Forms/Forms-for-Government](http://www.ohioattorneygeneral.gov/files/Forms/Forms-for-Government).

During our compliance testing it was noted that the Village has not implemented a public records policy or a records retention policy. We recommend that the above steps be taken to adopt the necessary formal policies and that they be posted where the public can see them.

**Management's Response** – Officials did not provide a response to this finding.

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Posting Receipts, Disbursements and Fund Balances	Not Corrected	Repeated as Finding 2019-001
2017-002	Ohio Rev. Code Section 5705.39	Fully Corrected	N/A

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# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF HOLGATE**

**HENRY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 10/13/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)